



OHIO AUDITOR OF STATE
KEITH FABER



**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2023**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Milton-Union Exempted Village School District
Miami County
7610 Milton-Potsdam Road
West Milton, Ohio 45383

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District, Miami County, Ohio (the School District), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District, as of June 30, 2023, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General fund for the fiscal year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2024, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 9, 2024

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Milton-Union Exempted Village School District
 Miami County, Ohio
 Statement of Net Position - Cash Basis
 June 30, 2023

	Governmental Activities
Cash Assets:	
Equity in pooled cash, cash equivalents and investments	\$ 13,589,665
Total Cash Assets	\$ 13,589,665
Net Cash Position:	
Restricted for:	
Capital projects	\$ 3,651,553
Debt service	2,695,791
Facilities maintenance	443,949
Food service operations	300,106
Education grants	222,759
Student activities	58,134
Unclaimed monies	9,571
Unrestricted	6,207,802
Total Net Cash Position	\$ 13,589,665

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2023

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursement)</u> <u>Receipt and</u> <u>Change in</u> <u>Net Cash Position</u> <u>Governmental</u> <u>Activities</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 7,860,101	\$ 201,221	\$ 180,090	\$ (7,478,790)
Special	3,053,469	201,830	711,962	(2,139,677)
Vocational	47,795	-	-	(47,795)
Student intervention services	31,405	-	23,515	(7,890)
Other	234,249	-	42,219	(192,030)
Support Services:				
Pupils	1,572,132	-	239,964	(1,332,168)
Instructional staff	1,205,038	-	321,686	(883,352)
Board of education	130,899	-	-	(130,899)
Administration	1,363,123	-	41,348	(1,321,775)
Fiscal	646,183	-	-	(646,183)
Business	128,648	-	-	(128,648)
Operation and maintenance of plant	1,248,537	42,159	-	(1,206,378)
Pupil transportation	1,346,605	-	-	(1,346,605)
Central	198,793	-	52,184	(146,609)
Operation of non-instructional services	705,904	268,114	423,963	(13,827)
Extracurricular activities	725,015	302,501	36,968	(385,546)
Capital outlay	925,677	-	-	(925,677)
Debt Service:				
Principal	396,761	-	-	(396,761)
Interest	1,130,809	-	-	(1,130,809)
Total Governmental Activities	<u>\$ 22,951,143</u>	<u>\$ 1,015,825</u>	<u>\$ 2,073,899</u>	<u>(19,861,419)</u>
General Cash Receipts				
Property Taxes Levied for:				
General purposes				5,711,401
Capital projects				377,980
Income Taxes Levied for:				
General purposes				243,216
Capital projects				2,704,635
Facility maintenance				92,350
Grants and entitlements not restricted to specific purposes				8,142,765
Interest				483,234
Miscellaneous				34,838
Total General Receipts				<u>17,790,419</u>
Change in Net Cash Position				(2,071,000)
Net Cash Position Beginning of Year				<u>15,660,665</u>
Net Cash Position End of Year				<u>\$ 13,589,665</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:					
Equity in pooled cash, cash equivalents and investments	\$ 6,207,802	\$ 2,695,791	\$ 3,637,501	\$ 1,039,000	\$ 13,580,094
Restricted Assets:					
Equity in pooled cash, cash equivalents and investments	<u>9,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,571</u>
Total Assets	<u>\$ 6,217,373</u>	<u>\$ 2,695,791</u>	<u>\$ 3,637,501</u>	<u>\$ 1,039,000</u>	<u>\$ 13,589,665</u>
Fund Balances:					
Nonspendable for:					
Unclaimed monies	\$ 9,571	\$ -	\$ -	\$ -	\$ 9,571
Restricted for:					
Capital projects	-	-	3,637,501	14,052	3,651,553
Debt service	-	2,695,791	-	-	2,695,791
Facilities maintenance	-	-	-	443,949	443,949
Food service operations	-	-	-	300,106	300,106
Student activities	-	-	-	58,134	58,134
Education grants	-	-	-	222,759	222,759
Committed for:					
Employee termination benefits	172,498	-	-	-	172,498
Assigned for:					
School activities	186,896	-	-	-	186,896
Future expenditures	140,907	-	-	-	140,907
Subsequent appropriations	1,017,108	-	-	-	1,017,108
Unassigned	<u>4,690,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,690,393</u>
Total Fund Balances	<u>\$ 6,217,373</u>	<u>\$ 2,695,791</u>	<u>\$ 3,637,501</u>	<u>\$ 1,039,000</u>	<u>\$ 13,589,665</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:					
Property and other local taxes	\$ 5,711,401	\$ -	\$ 377,980	\$ -	\$ 6,089,381
Income tax	243,216	-	2,704,635	92,350	3,040,201
Intergovernmental	8,145,827	13,421	51,807	1,954,606	10,165,661
Interest	426,892	48,182	7,964	196	483,234
Tuition and fees	403,051	-	-	-	403,051
Extracurricular activities	37,861	-	-	259,073	296,934
Customer sales and services	-	-	-	268,114	268,114
Gifts and donations	750	-	-	27,373	28,123
Miscellaneous	85,593	-	16,058	3,793	105,444
Total Receipts	15,054,591	61,603	3,158,444	2,605,505	20,880,143
Cash Disbursements:					
Current:					
Instruction:					
Regular	7,620,757	-	13,534	225,810	7,860,101
Special	2,381,925	-	-	671,544	3,053,469
Vocational	47,795	-	-	-	47,795
Student intervention services	-	-	-	31,405	31,405
Other	185,000	-	-	49,249	234,249
Support Services:					
Pupils	1,487,857	-	-	84,275	1,572,132
Instructional staff	568,253	-	382,363	254,422	1,205,038
Board of education	128,199	-	-	2,700	130,899
Administration	1,298,541	-	9,361	55,221	1,363,123
Fiscal	585,524	5,300	49,898	5,461	646,183
Business	128,648	-	-	-	128,648
Operation and maintenance of plant	852,490	-	208,787	187,260	1,248,537
Pupil transportation	796,700	-	407,015	142,890	1,346,605
Central	197,218	-	-	1,575	198,793
Operation of non-instructional services	2,127	-	2,557	701,220	705,904
Extracurricular activities	108,769	-	50,594	565,652	725,015
Capital Outlay	5,000	-	791,160	129,517	925,677
Debt Service:					
Principal	-	396,761	-	-	396,761
Interest	-	1,130,809	-	-	1,130,809
Total Disbursements	16,394,803	1,532,870	1,915,269	3,108,201	22,951,143
Excess of Receipts Over(Under) Disbursements	(1,340,212)	(1,471,267)	1,243,175	(502,696)	(2,071,000)
Other Financing Sources (Uses):					
Advances in	107,275	-	-	383,450	490,725
Transfers in	-	-	-	277,500	277,500
Advances out	(383,450)	-	-	(107,275)	(490,725)
Transfers out	(277,500)	-	-	-	(277,500)
Total Other Financing Sources (Uses)	(553,675)	-	-	553,675	-
Net Change in Fund Balance	(1,893,887)	(1,471,267)	1,243,175	50,979	(2,071,000)
Fund Balance, Beginning of Year	8,111,260	4,167,058	2,394,326	988,021	15,660,665
Fund Balance, End of Year	\$ 6,217,373	\$ 2,695,791	\$ 3,637,501	\$ 1,039,000	\$ 13,589,665

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balance (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Cash Receipts:				
Property and other local taxes	\$ 5,585,044	\$ 5,711,403	\$ 5,711,401	\$ (2)
Income tax	223,090	243,216	243,216	-
Intergovernmental	8,035,374	8,062,666	8,145,827	83,161
Interest	77,497	299,475	426,892	127,417
Tuition and fees	359,803	356,285	337,905	(18,380)
Miscellaneous	52,685	46,981	52,293	5,312
Total Receipts	<u>14,333,493</u>	<u>14,720,026</u>	<u>14,917,534</u>	<u>197,508</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	7,274,544	7,331,722	7,516,470	(184,748)
Special	2,149,730	2,508,559	2,382,494	126,065
Vocational	400	400	47,795	(47,395)
Other	216,935	206,935	185,000	21,935
Support Services:				
Pupils	1,515,981	1,630,516	1,516,703	113,813
Instructional staff	603,090	590,188	587,151	3,037
Board of education	145,902	146,015	143,878	2,137
Administration	1,298,082	1,324,935	1,299,148	25,787
Fiscal	653,572	555,633	588,337	(32,704)
Business	124,978	124,980	125,077	(97)
Operation and maintenance of plant	936,610	936,608	886,817	49,791
Pupil transportation	753,263	828,264	803,602	24,662
Central	194,162	188,982	201,464	(12,482)
Operation of non-instructional services	3,317	3,317	2,127	1,190
Extracurricular activities	47,352	47,355	49,676	(2,321)
Capital Outlay	-	10,000	15,000	(5,000)
Total Disbursements	<u>15,917,918</u>	<u>16,434,409</u>	<u>16,350,739</u>	<u>83,670</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,584,425)</u>	<u>(1,714,383)</u>	<u>(1,433,205)</u>	<u>281,178</u>
Other Financing Sources (Uses):				
Advances in	107,275	107,275	107,275	-
Refund of prior year expenditures	52,510	52,510	6,833	(45,677)
Transfers out	(345,000)	(345,000)	(347,500)	(2,500)
Advances out	-	(320,000)	(383,450)	(63,450)
Total Other Financing Sources (Uses)	<u>(185,215)</u>	<u>(505,215)</u>	<u>(616,842)</u>	<u>(111,627)</u>
Net Change in Fund Balance	<u>(1,769,640)</u>	<u>(2,219,598)</u>	<u>(2,050,047)</u>	<u>169,551</u>
Fund Balance at Beginning of Year	7,526,719	7,526,719	7,526,719	-
Prior Year Encumbrances Appropriated	184,535	184,535	184,535	-
Fund Balance at End of Year	<u>\$ 5,941,614</u>	<u>\$ 5,491,656</u>	<u>\$ 5,661,207</u>	<u>\$ 169,551</u>

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2023

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Equity in pooled cash, cash equivalents and investments	\$ 2,200	\$ 11,206
Total Assets	2,200	11,206
Net Cash Position:		
Restricted for scholarships	2,200	-
Restricted for individuals, organizations and other governments	-	11,206
Total Net Cash Position	\$ 2,200	\$ 11,206

See accompanying notes to the basic financial statements.

Milton-Union Exempted Village School District
Miami County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Event fees received for other organizations	\$ -	\$ 13,020
Total Additions	-	13,020
Deductions:		
Payments in accordance with trust agreements	1,000	-
Payments to other organizations	-	366
Payments as fiscal agent	-	7,612
Total Deductions	1,000	7,978
Change in Net Cash Position	(1,000)	5,042
Net Cash Position, Beginning of Year	3,200	6,164
Net Cash Position, End of Year	\$ 2,200	\$ 11,206

See accompanying notes to the basic financial statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Milton-Union Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a locally elected five-member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational needs of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

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

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

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds and other obligations issued in conjunction with the School District's facilities construction project.

Permanent Improvement Fund – This fund is to account for and report the accumulation of resources received through local property and income taxes received and the payments made for significant capital purchases made by the School District.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Custodial funds are used to account for fiduciary activities that are not required to be reported in a trust fund. The School District's custodial funds account for outside activity related to high school tournament games as well as the SWBL Academic League, for which the School District acts as the fiscal agent.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2023, investments included negotiable certificates of deposit, federal agency bonds, money market funds and STAR Ohio. All investments, with the exception of STAR Ohio, are reported at cost.

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

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2023 was \$426,892, which included \$46,079 assigned from other School District funds.

Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate requested by the School District prior to fiscal year end.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process (continued)

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, the budgetary basis as provided by law is based upon accounting for certain transactions of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance (Budgetary Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
Cash Basis	\$ (1,893,887)
Encumbrances	(140,907)
Excess of Funds Combined with General Fund for Reporting Purposes	<u>(15,253)</u>
Budget Basis	<u>\$ (2,050,047)</u>

Capital Assets

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

Compensated Absences

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

Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made. The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Leases and Subscription Based Information Technology Agreements (SBITAs)

For fiscal year 2023, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The School District is a party to various agreements which would be classified as leases or SBITAs. However, due to the basis of accounting utilized to prepare the financial statements, liabilities for these agreements are not presented. Lease and subscription disbursements are recognized when paid.

Pension Systems

For purposes of measuring the net pension and other post-employment benefits liability/asset, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension 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 systems report investments at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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.

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 Board of Education. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Education.

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

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 – COMPLIANCE

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no 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 Monies – These monies 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.

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits as follows:

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

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

At fiscal year end, the carrying amount of the School District's deposits was \$1,785,079 and the bank balance was \$1,860,587. Federal depository insurance covered \$500,000 of the bank balance at year end with the remaining \$1,360,587 being secured by pledge collateral as described above.

Investments

The School District's investments at June 30, 2023 were as follows:

	Carrying Value	% of Portfolio	Investment Maturities		
			< 1 year	1 to 3 yrs	3 to 5 yrs
STAR Ohio	\$ 7,965,622	67.4%	\$ 7,965,622	\$ -	\$ -
Federal Agency Bonds	550,000	4.7%	350,000	-	200,000
Money Market Funds	1,209,370	10.2%	1,209,370	-	-
Negotiable CDs	2,093,000	17.7%	844,000	1,249,000	-
Total	\$ 11,817,992	100.0%	\$ 10,368,992	\$ 1,249,000	\$ 200,000

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

Concentration of Credit Risk – The School District’s policy limits investment in commercial paper and bankers’ acceptances to 25 percent of the total investment portfolio. The percentage of each investment to the School District’s total portfolio is presented in the table above.

Custodial Credit Risk – The negotiable certificates of deposit are insured by the FDIC. The Federal Agency Bonds are rated by AA+ by Standard & Poor’s, whereas STAR Ohio and money market funds are rated by AAAm by Standard & Poor’s. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2023 were levied after April 1, 2022 on assessed values as of January 1, 2022, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2019. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected. The tax rate per \$1,000 of assessed valuation was \$66.80 and the assessed values upon which the fiscal year 2023 receipts were based are as follows:

	2023 First Half Collections	2022 Second Half Collections
Agricultural, residential, and other real property	\$ 249,557,820	\$ 204,237,730
Public utility personal property	12,865,350	12,074,510
Total	\$ 262,423,170	\$ 216,312,240

NOTE 5 - INCOME TAXES

The School District levies a 1.25 percent, dual purpose, earned income tax levy. Of the 1.25 percent, 1.15 percent is used to provide the local portion of a school facilities project that replaced all existing school facilities within the School District with a new kindergarten through grade twelve building on one site; including debt retirement and the required maintenance fund. The remaining 0.10 percent of the total levy amount is used for general operating purposes.

NOTE 5 - INCOME TAXES (continued)

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds. Income tax receipts are posted to the general, permanent improvement and school facilities maintenance funds.

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage amounts from those of the prior fiscal year.

During fiscal year 2023, the School District contracted with Liberty Mutual Insurance Company for insurance coverage, as follows:

Coverage	Limits	Deductible
Excess Liability	\$1 million per/\$3 million annual aggregate	\$10,000
General, Educators Legal, and Employment Practices Liability	\$1 million per/\$3 million annual aggregate	\$2,500
Automobile Liability	\$1 million combined limit	\$500
Commercial Property	\$87.6 million blanket limit	\$2,500

For fiscal year 2023 the School District participated in the CompManagement Group Retrospective Rating Plan. This plan is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rate and lower associated claims costs. It is similar to group rating, as employers are evaluated as if the group was one big organization. However, with this program, organizations continue to pay their own individual premium but have the opportunity to receive retrospective premium adjustments (refunds or assessments based on the performance of the group) at the end of each of the three evaluation periods (12, 24 and 36 months after the end of the policy year) performed by the Ohio Bureau of Workers' Compensation. Group assessments are limited to a premium cap, currently set at \$4 million for the entire group. For fiscal year 2023, the School District has not been assessed any additional premium through its participation in the Plan.

The School District provides medical (United Health Care), dental (Delta Dental) and life insurance (UNUM) benefits to its employees through participation in the Southwestern Ohio Educational Council's Medical Benefit Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover administration costs of the program.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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 liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at 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; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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, and Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District's contractually required contribution to SERS was \$299,998 for fiscal year 2023.

Plan Description - State Teachers Retirement System (STRS)

School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation will be 2.2% 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 upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, 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 regardless of age.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liabilities. Effective July 1, 2022, 2.91% of salaries are used to pay for unfunded liabilities. 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 CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the CO Plan payment is payable to a member on or after age 60 with 5 years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or CO 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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or CO Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2023, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$1,052,867 for fiscal year 2023.

Net Pension Liability

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. The following is information related to the School District's proportionate share of the net pension liability:

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 3,027,834	\$ 12,708,318	\$ 15,736,152
Proportion of the Net Pension Liability:			
Current Year	0.0559800%	0.0571671%	
Prior Year	<u>0.0574236%</u>	<u>0.0565217%</u>	
Change in Proportionate Share	<u>-0.0014436%</u>	<u>0.0006454%</u>	

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and 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, 2022, are presented below:

Inflation	2.40 percent
Future salary increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.00 percent, on and after 4/1/2018, COLA's for future retirees will be delayed for 3 years following retirement.
Investment rate of return	7.00 percent net of System expenses
Actuarial cost method	Entry Age Normal

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	-0.45%
US equity	24.75%	5.37%
Non-US equity developed	13.50%	6.22%
Non-US equity emerging	6.75%	8.22%
Fixed income/global bonds	19.00%	1.20%
Private equity	11.00%	10.05%
Real estate/real assets	16.00%	4.87%
Multi-asset strategies	4.00%	3.39%
Private debt/private credit	<u>3.00%</u>	5.38%
Total	<u>100.00%</u>	

Discount Rate – Total pension liability was calculated using the discount rate of 7.0%. 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 (7.0%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%), or one percentage point higher (8.0%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$ 4,456,827	\$ 3,027,834	\$ 1,823,927

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases:	
Current measurement period	Varies by service from 2.5% to 8.5%
Prior measurement period	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return, including inflation	7.00%, net of investment expenses
Discount rate of return	7.00%
Cost-of-living adjustments (COLA)	0.00%

Demographic assumptions were changed based on the actuarial experience study for the period July 1, 2015 through June 30, 2021.

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

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Real Rate of Return**</u>
Domestic equity	26.00%	6.60%
International equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed income	22.00%	1.75%
Real estate	10.00%	5.75%
Liquidity reserves	<u>1.00%</u>	1.00%
Total	<u>100.00%</u>	

* - Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding October 1, 2022.

** - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25% 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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.0% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.0%, as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District’s proportionate share of the net pension liability	\$ 19,197,643	\$ 12,708,318	\$ 7,220,359

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2023, two of the members of the Board of Education has elected social security. The Board’s liability is 6.2% of wages paid.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Asset and Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset and liability. Resulting adjustments to the net OPEB asset and liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Health Care Plan Description - School Employees Retirement System (SERS)

SERS' Health Care program provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986 need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

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

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, there was no portion allocated 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 2023, the minimum compensation amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$39,903.

Health Care Plan Description - State Teachers Retirement System (STRS)

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 Board to offer this plan.

Coverage under the current program includes hospitalization, physicians' fees and prescription drugs and partial reimbursement of the monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Asset and liability

The net OPEB asset and liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset and liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset and liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

The following is information related to the School District's proportionate share of the OPEB asset or liability:

	SERS	STRS	Total
Proportionate Share of the Net:			
OPEB Asset	\$ -	\$ 1,480,247	\$ 1,480,247
OPEB Liability	801,046	-	801,046
Proportion of the Net OPEB Asset/Liability:			
Current Year	0.0570541%	0.0571671%	
Prior Year	<u>0.0590587%</u>	<u>0.0565217%</u>	
Change in Proportionate Share	<u>-0.0020046%</u>	<u>0.0006454%</u>	

Actuarial Assumptions – SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and 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.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Investment rate of return:	7.00% of net investment expense, including inflation
Wage inflation:	2.40%
Future salary increases, including inflation	3.25% to 13.58%
Municipal bond index rate:	
Current measurement date	3.69%
Prior measurement date	1.92%
Single equivalent interest rate, net of plan investment expense:	
Current measurement date	4.08%, including price inflation
Prior measurement date	2.27%, including price inflation
Health Care Cost Trend Rate:	
Medicare	5.125% to 4.40%
Pre-Medicare	6.75% to 4.40%
Medical Trend Assumption:	
Current measurement date	7.00% - 4.40%

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality among contingent survivors were based upon the PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. The PUB-2010 General Amount Weighted Below Median Employee mortality table was used for active members. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	-0.45%
US equity	24.75%	5.37%
Non-US equity developed	13.50%	6.22%
Non-US equity emerging	6.75%	8.22%
Fixed income/global bonds	19.00%	1.20%
Private equity	11.00%	10.05%
Real estate/real assets	16.00%	4.87%
Multi-asset strategies	4.00%	3.39%
Private debt/private credit	<u>3.00%</u>	5.38%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from 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, 2044. 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, 2043 and the Municipal Bond Index rate of 3.69% as of June 30, 2022 (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 School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 calculated using the discount rate of 4.08%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.08%) and one percentage point higher (5.08%) than the current rate.

Rate	Current		
	1% Decrease	Discount Rate	1% Increase
	3.08%	4.08%	5.08%
School District's proportionate share of the net OPEB liability	\$ 994,911	\$ 801,046	\$ 644,544

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.40%) and one percentage point higher (8.00% decreasing to 5.40%) than the current rates.

Rate	Current		
	1% Decrease	Trend Rate	1% Increase
	6.00% decreasing to 3.40%	7.00% decreasing to 4.40%	8.00% decreasing to 5.40%
School District's proportionate share of the net OPEB liability	\$ 617,750	\$ 801,046	\$ 1,040,459

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases				
Current measurement date	Varies by service from 2.5% to 8.5%			
Prior measurement date	12.50% at age 20 to 2.50% at age 65			
Payroll increases	3.00%			
Investment rate of return:	7.00%, net of investment expenses, including inflation			
Discount rate of return:	7.00%			
Health care cost trends:	<u>Current measurement date</u>		<u>Prior measurement date</u>	
	<u>Initial</u>	<u>Ultimate</u>	<u>Initial</u>	<u>Ultimate</u>
Medical:				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Additionally, healthcare trends were updated to reflect emerging claims and recoveries experience.

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

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of the latest available actual experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Real Rate of Return **</u>
Domestic equity	26.00%	6.60%
International equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed income	22.00%	1.75%
Real estate	10.00%	5.75%
Liquidity reserves	<u>1.00%</u>	1.00%
Total	<u>100.00%</u>	

* - Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding October 1, 2022.

** - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25% 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 OPEB liability was 7.0% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on OPEB plan assets of 7.0% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB asset calculated using the current period discount rate assumption of 7.0%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.0%) and one percentage point higher (8.0%) than the current rate. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

<u>Rate</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.00%	7.00%	8.00%
School District's proportionate share of the net OPEB asset	\$ 1,368,449	\$ 1,480,247	\$ 1,576,011
	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rate</u>	<u>1% Increase in Trend Rates</u>
School District's proportionate share of the net OPEB asset	\$ 1,535,376	\$ 1,480,247	\$ 1,410,659

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

The activity of the School District's long-term debt obligations during fiscal year 2023 was as follows:

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023	Due within One Year
Governmental Activities:					
2015 GO Refunding Bonds:					
Current Interest Serial 1.0% - 4.0%	\$ 2,310,000	\$ -	\$ 260,000	\$ 2,050,000	\$ 265,000
Current Interest Term 4.0%	680,000	-	-	680,000	-
2016 SI Revenue Refunding Bonds:					
Current Interest Serial 1.5% - 3.0%	6,180,000	-	-	6,180,000	-
Current Interest Term 3.0%	1,985,000	-	-	1,985,000	-
Capital Appreciation 1.55% - 2.15%	137,497	-	81,761	55,736	55,736
2010 Certificates of Participation					
School Improvement 1.8% - 6.375%	1,325,000	-	55,000	1,270,000	55,000
Total General Long-Term Obligations	\$ 12,617,497	\$ -	\$ 396,761	\$ 12,220,736	\$ 375,736

2015 General Obligation School Improvement Refunding Bonds:

On March 11, 2015 the School District issued \$4,171,902 in general obligation school improvement refunding bonds to provide for the advance refunding of a portion of the 2009 general obligation school improvement bonds. The refunding bonds include serial, term and capital appreciation bonds, in the original amount of \$3,450,000, \$680,000 and \$41,902, respectively. The bonds were issued for a seventeen-year period with final maturity on December 1, 2031. The bonds are being retired from the Bond Retirement debt service fund.

The current interest term bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2030 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. The remaining \$345,000 of the current interest term bonds are due for payment on December 31, 2031 at the stated maturity.

2016 School Improvement Revenue Refunding Bonds:

On October 12, 2016 the School District issued \$11,199,003 in school improvement revenue refunding bonds to provide for the advance refunding of a portion of the 2009 school improvement revenue bonds. The refunding bonds include serial, term and capital appreciation bonds, in the original amount of \$8,530,000, \$1,985,000 and \$684,003, respectively. The bonds were issued for a seventeen-year period with final maturity on December 1, 2032. The bonds are being retired from the Bond Retirement debt service fund.

The current interest term bonds are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption of \$980,000 is to occur on December 1, 2031 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. The remaining \$1,005,000 of the current interest term bonds are due for payment on December 31, 2032 at the stated maturity.

The remaining capital appreciation bonds mature in fiscal years 2022 to 2024 and have a total maturity amount of \$2,440,000.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District's outstanding general obligation bonds at June 30, 2023 are shown in the table below.

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 320,736	\$ 1,066,677	\$ 1,387,413
2025	1,090,000	292,750	1,382,750
2026	1,125,000	259,525	1,384,525
2027	1,155,000	229,109	1,384,109
2028	1,185,000	200,559	1,385,559
2029-2033	6,075,000	462,301	6,537,301
Total	<u>\$ 10,950,736</u>	<u>\$ 2,510,921</u>	<u>\$ 13,461,657</u>

2010 School Improvement Certificates of Participation:

On March 3, 2010 the School District issued \$1,885,000 in taxable certificates of participation for construction of school facilities. This issue contained a portion of the taxable certificates under the Build America Bond program. These bonds were issued for a twenty-seven year period with final maturity on December 1, 2037. The bonds are being retired from the Bond Retirement debt service fund.

The American Recovery and Reinvestment Act of 2009 allowed entities to issue taxable obligations, referred to as "Build America Bonds", to finance capital expenditures for which they could issue tax-exempt obligations, and to elect to receive payments from the federal government equal to 35 percent of the corresponding interest payable on such taxable obligations. The School District designated \$35,000 of the base rent underlying the certificates of participation as taxable obligations (Taxable Certificates) and the remaining \$1,850,000 as taxable obligations under the Build America Bond program (Series 2010 BABs).

Each Certificate represents a proportionate interest in the right to receive base rent payments by the School District under the lease agreement. By the assignment, the Lessor has assigned its right to receive base rent payments to the Trustee for the benefit of the owners of the Certificates. Renewals of the lease and the obligations of the School District to make base rent payments after June 30, 2010 are subject to and dependent upon lawful appropriations being made for the that purpose and certification of the sufficiency of those appropriations. The Certificates, the lease and the obligation to make base rent payments do not represent or constitute a debt of, or a pledge of the faith and credit of, the School District. Neither the general credit nor the taxing power of the School District is pledged to payment of the principal of or premium, if any, or interest on the Certificates.

The Series 2010 BABs maturing on December 1, 2020 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the School District and by lot within a maturity, at the option of the School District on or after June 1, 2020 at par, which is 100 percent of the face value of the Series 2010 BABs.

In addition, the Series 2010 BABs are subject to extraordinary optional redemption by the School District prior to maturity, in whole at any time or in part on any interest payment date, at a redemption price of 100 percent (expressed as a percentage of the principal amount), plus interest accrued to the date fixed for redemption in the event that the Build America Payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2010 BABs.

Milton-Union Exempted Village School District
Miami County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District's outstanding certificates of participation at June 30, 2023 are shown in the table below.

Fiscal Year Ended June 30,	Taxable Certificates			Effective Debt Service	
	Principal	Interest	Total	Federal Subsidy	Adjusted Total
2024	\$ 55,000	\$ 76,330	\$ 131,330	\$ (26,715)	\$ 104,615
2025	60,000	73,283	133,283	(25,648)	107,635
2026	60,000	70,102	130,102	(24,536)	105,566
2027	65,000	66,563	131,563	(23,297)	108,266
2028	65,000	62,662	127,662	(21,932)	105,730
2029-2033	370,000	248,991	618,991	(87,146)	531,845
2034-2038	595,000	115,228	710,228	(40,331)	669,897
Total	<u>\$ 1,270,000</u>	<u>\$ 713,159</u>	<u>\$ 1,983,159</u>	<u>\$ (249,605)</u>	<u>\$ 1,733,554</u>

NOTE 10 – RELATED ORGANIZATION

The Milton-Union Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by the Board of Trustees appointed by the Milton-Union Exempted Village School District. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Milton-Union Public Library, Marjorie Coate, Fiscal Officer, at 560 South Main Street, West Milton, Ohio 45383.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 130 school districts and boards of developmental disabilities 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One-year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made primarily from the School District's general fund. During fiscal year, the School District paid \$2,267,244 to SOEPC, primarily for health care coverage. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Miami Valley Career Technology Center

The Miami Valley Career Technology Center (MVCTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city and/or exempted village school districts: Carlisle, Miamisburg, Milton-Union, Northmont, Vandalia, Versailles, Huber Heights, Eaton, Trotwood, Tipp City, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center, one is appointed from the Miami County Educational Service Center, one from the Darke County Educational Service Center, and one from the Preble County Educational Service Center. Payments amounting to \$43 were made to MVCTC by the School District during the fiscal year. To obtain financial information, write to the Miami Valley Career Technology Center, Bradley McKee, who serves as Treasurer, at 6800 Hoke Road, Englewood, Ohio 45315.

Metropolitan Educational Technology Association

The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographic area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META \$39,744 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

NOTE 12 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, if applicable, cannot be determined at this time.

Litigation

There were currently no matters in litigation with the School District as defendant.

NOTE 13 – INTERFUND ACTIVITY

Transfers

The following is a summary of the School District's transfers in and out for all funds for fiscal year 2023:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 277,500
Other Governmental Funds	277,500	-
Total All Funds	\$ 277,500	\$ 277,500

Advances

The following is a summary of the School District's advances in and out for all funds for fiscal year 2023:

Fund	Advances In	Advances Out
General Fund	\$ 107,275	\$ 383,450
Other Governmental Funds	383,450	107,275
Total All Funds	\$ 490,725	\$ 490,725

Advances represent the temporary transfer of cash resources with the expectation of repayment. During the current year, advances out from the other governmental funds represented repayment of prior year advance made from the general fund, while the advances out from General Fund to other governmental funds (nonmajor special revenue funds) were made at the end of the current fiscal year to temporarily provide those funds with operating resources until grant funding is received.

NOTE 14 – COMMITMENTS - ENCUMBRANCES

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	
General Fund	\$ 140,907
Bond Retirement Fund	500
Permanent Improvement Fund	133,951
Non-major Governmental Funds	131,360
	\$ 406,718

NOTE 15 – CAPITAL IMPROVEMENT SET-ASIDE

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

	Capital Improvements
Set-aside reserve balance as of June 30, 2022	\$ -
Current year set-aside requirement	307,814
Current year offsets	(3,226,773)
Total	\$ (2,918,959)
Balance carried forward to fiscal year 2024	\$ -
Set-aside balance June 30, 2023	\$ -

The School District had qualifying offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2023, the School District implemented two new Governmental Accounting Standards Board (GASB) Statements, neither of which had any effect on the School District's cash basis financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, provides financial reporting guidance for issues related to public-private and public-public partnership arrangements (PPPs). A PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides; 1) definition of a subscription-based information technology arrangement (SBITA), 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, 3) provides the capitalization criteria for outlays other than subscription payments, including implementing costs of a SBITA, and 4) requires note disclosures regarding a SBITA.

NOTE 17 – COVID-19 PANDEMIC

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Assistance Listing Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education and Workforce			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 99,779	\$ 8,714
COVID-19 National School Lunch Program	10.555	37,901	
National School Lunch Program	10.555	405,985	41,636
Total National School Lunch Program		<u>443,886</u>	<u>41,636</u>
Total Child Nutrition Cluster		<u>543,665</u>	<u>50,350</u>
 COVID-19 Pandemic EBT Administrative Costs	 10.649	 <u>628</u>	
Total U.S. Department of Agriculture		<u>544,293</u>	<u>50,350</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Ohio Office of Budget and Management			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>105,705</u>	
Total U.S. Department of the Treasury		<u>105,705</u>	
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education and Workforce			
Title I Grants to Local Educational Agencies	84.010	364,872	
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	327,195	
COVID-19 Special Education Grants to States	84.027X	39,484	
Total Special Education Grants to States		<u>366,679</u>	
Special Education Preschool Grants	84.173	<u>8,514</u>	
Total Special Education Cluster		<u>375,193</u>	
 Supporting Effective Instruction State Grants	 84.367	 38,560	
Passed Through Bradford Exempted Village School District			
Comprehensive Literacy Development	84.371	86,018	
Passed Through Ohio Department of Education and Workforce			
Student Support and Academic Enrichment Program	84.424	15,867	
 COVID-19 Education Stabilization Fund	 84.425D	 13,853	
	84.425U	<u>476,498</u>	
Total COVID-19 Education Stabilization Fund		<u>490,351</u>	
Total U.S. Department of Education		<u>1,370,861</u>	
Total Expenditures of Federal Awards		<u><u>\$2,020,859</u></u>	<u><u>\$50,350</u></u>

The accompanying notes are an integral part of this schedule.

**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Milton-Union Exempted Village School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education and Workforce’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The School District transferred the following amounts from 2023 to 2024 programs:

Program Title	AL Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	\$1,623
Supporting Effective Instruction State Grants	84.367	\$1,288
Special Education Grants to States	84.027	\$ 452

OHIO AUDITOR OF STATE KEITH FABER



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800-282-0370

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

Milton-Union Exempted Village School District
Miami County
7610 Milton-Potsdam Road
West Milton, Ohio 45383

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milton-Union Exempted Village School District, Miami County, (the School District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 9, 2024, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

School District's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 9, 2024

OHIO AUDITOR OF STATE KEITH FABER



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

Milton-Union Exempted Village School District
Miami County
7610 Milton-Potsdam Road
West Milton, Ohio 45383

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Milton-Union Exempted Village School District's, Miami County, (the School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Milton-Union Exempted Village School District's major federal programs for the fiscal year ended June 30, 2023. Milton-Union Exempted Village School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Milton-Union Exempted Village School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Keith Faber
Auditor of State
Columbus, Ohio

May 9, 2024

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**MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Title I Grants to Local Educational Agencies – AL #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2023-001

Noncompliance

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

FINDING NUMBER 2023-001
(Continued)

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

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

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

Officials' Response:

The School District is aware of the financial reporting requirements, and the School District's management believes that filing GAAP would cost approximately \$10,000 more per year with no appreciable benefit to the School District.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 2 CFR 200.511(b)
 JUNE 30, 2023**

Finding Number	Finding Summary	Status	Additional Information
2022-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) – financial report was not prepared using generally accepted accounting principles	Not Corrected	Milton-Union Exempted Village School District chooses to file OCBOA statements rather than filing GAAP statements. Comment repeated as Finding 2023-001.
2022-002	Significant Deficiency – Vendor Account Information – Control failure related to ACH payments to certain vendors	Corrected	The School District has put procedures in place to verify all vendor change requests, especially ACH information. These procedures have been discussed with all Treasurer's Office employees. The School District was reimbursed for the loss related to the ACH fraud, with the only cost to the District being the \$2,500 insurance deductible.

District Administration
 Brad Ritchey, Ph.D. | Superintendent
 Kari Magill | Treasurer
 Kurtis Brackman | Operations Manager
 Katie Hartley | Director of Curriculum & Instruction
 Mick Nealeigh | Director of Technology

Board of Education
 Linda Hinkelman | President
 Ben Dehus | Vice President
 Jessica Brumbaugh
 Justin Cress
 Lori Ginn Parsons

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Board of Education Office

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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2023

Finding Number:

2023-001

Planned Corrective Action:

No corrective action needed. The School District is aware of the financial reporting requirements, and the School District's management believes that filing GAAP would cost approximately \$10,000 more per year with no appreciable benefit to the School District.

Anticipated Completion Date:

N/A

Responsible Contact Person:

Kari Magill, Treasurer

District Administration

Brad Ritchey, Ph.D. | Superintendent

Kari Magill | Treasurer

Kurtis Brackman | Operations Manager

Katie Hartley | Director of Curriculum & Instruction

Mick Nealeigh | Director of Technology

Board of Education

Linda Hinkelman | President

Ben Dehus | Vice President

Jessica Brumbaugh

Justin Cress

Lori Ginn Parsons

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OHIO AUDITOR OF STATE KEITH FABER



MILTON-UNION EXEMPTED VILLAGE SCHOOL DISTRICT

MIAMI 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 6/4/2024

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

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