



OHIO AUDITOR OF STATE
KEITH FABER



**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

St. Marys City School District
Auglaize County
2250 State Route 66
St. Marys, Ohio 45885-9355

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St Marys City School District, Auglaize County, Ohio (the School District), as of and for the fiscal year ended June 30, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance funds thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis 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 and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

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St. Marys City School District
Statement of Net Position - Cash Basis
June 30, 2020

	<u>Governmental Activities</u>
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,576,847</u>
<u>Net Position</u>	
Restricted for:	
Debt Service	2,252,178
Capital Projects	875,494
Food Service	413,921
Classroom Facilities Maintenance	719,100
Other Purposes	425,428
Unrestricted	<u>4,890,726</u>
Total Net Position	<u><u>\$9,576,847</u></u>

See accompanying notes to the basic financial statements.

St. Marys City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2020

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Position
<u>Governmental Activities</u>	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Instruction:				
Regular	\$10,534,205	\$592,865	\$93,126	(\$9,848,214)
Special	4,372,939	77,192	2,132,937	(2,162,810)
Vocational	864,997	63,026	170,890	(631,081)
Adult/Continuing	54	0	1,295	1,241
Support Services:				
Pupils	1,713,807	0	492,690	(1,221,117)
Instructional Staff	523,214	0	7,200	(516,014)
Board of Education	114,614	0	0	(114,614)
Administration	1,515,421	0	0	(1,515,421)
Fiscal	555,928	0	0	(555,928)
Business	17,090	0	0	(17,090)
Operation and Maintenance				
of Plant	2,113,628	0	0	(2,113,628)
Pupil Transportation	923,418	0	38,294	(885,124)
Central	6,516	0	0	(6,516)
Noninstructional Services	1,209,715	444,437	750,277	(15,001)
Extracurricular Activities	789,094	341,152	0	(447,942)
Debt Service:				
Principal Retirement	780,000	0	0	(780,000)
Interest and Fiscal Charges	833,575	0	0	(833,575)
Total Governmental Activities	<u>\$26,868,215</u>	<u>\$1,518,672</u>	<u>\$3,686,709</u>	<u>(21,662,834)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	7,093,424
Classroom Facilities Maintenance	129,947
Debt Service	1,632,171
Permanent Improvements	250,940
Income Taxes Levied for General Purposes	2,425,669
Grants and Entitlements not Restricted to Specific Programs	10,873,015
Interest	147,406
Gifts and Donations	3,237
Miscellaneous	684,919
Total General Receipts	<u>23,240,728</u>
Change in Net Position	1,577,894
Net Position at Beginning of Year - Restated (See Note 3)	<u>7,998,953</u>
Net Position at End of Year	<u><u>\$9,576,847</u></u>

See accompanying notes to the basic financial statements.

St. Marys City School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2020

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,990,193	\$719,100	\$2,252,178	\$1,604,473	\$9,565,944
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	10,903	0	0	0	10,903
Total Assets	<u>5,001,096</u>	<u>719,100</u>	<u>2,252,178</u>	<u>1,604,473</u>	<u>9,576,847</u>
<u>Fund Balances</u>					
Restricted	\$10,903	\$719,100	\$2,252,178	\$1,703,940	4,686,121
Committed	45,792	0	0	0	45,792
Assigned	352,892	0	0	0	352,892
Unassigned (Deficit)	4,591,509	0	0	(99,467)	4,492,042
Total Fund Balances	<u>\$5,001,096</u>	<u>\$719,100</u>	<u>\$2,252,178</u>	<u>\$1,604,473</u>	<u>\$9,576,847</u>

See accompanying notes to the basic financial statements.

St. Marys City School District

Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2020

	General	Classroom Facilities Maintenance	Bond Retirement	Other Governmental	Total
<u>Receipts</u>					
Property Taxes	\$7,093,424	\$129,947	\$1,632,171	\$250,940	\$9,106,482
Income Taxes	2,425,669	0	0	0	2,425,669
Intergovernmental	11,812,457	42,003	220,800	2,475,955	14,551,215
Interest	102,282	0	31,801	20,537	154,620
Tuition and Fees	733,083	0	0	0	733,083
Charges for Services	0	0	0	444,437	444,437
Extracurricular Activities	0	0	0	341,152	341,152
Gifts and Donations	3,237	0	0	1,295	4,532
Miscellaneous	625,178	0	0	59,741	684,919
Total Receipts	22,795,330	171,950	1,884,772	3,594,057	28,446,109
<u>Disbursements</u>					
Current:					
Instruction:					
Regular	10,127,792	0	0	406,413	10,534,205
Special	3,301,502	0	0	1,071,437	4,372,939
Vocational	864,997	0	0	0	864,997
Adult/Continuing	54	0	0	0	54
Support Services:					
Pupils	1,368,736	0	0	345,071	1,713,807
Instructional Staff	514,814	0	0	8,400	523,214
Board of Education	114,614	0	0	0	114,614
Administration	1,515,421	0	0	0	1,515,421
Fiscal	510,370	0	37,058	8,500	555,928
Business	17,090	0	0	0	17,090
Operation and Maintenance of Plant	1,610,120	368,620	0	134,888	2,113,628
Pupil Transportation	832,588	0	0	90,830	923,418
Central	6,516	0	0	0	6,516
Noninstructional Services	1,399	0	0	1,208,316	1,209,715
Extracurricular Activities	461,195	0	0	327,899	789,094
Debt Service:					
Principal Retirement	0	0	780,000	0	780,000
Interest and Fiscal Charges	0	0	833,575	0	833,575
Total Disbursements	21,247,208	368,620	1,650,633	3,601,754	26,868,215
Changes in Fund Balances	1,548,122	(196,670)	234,139	(7,697)	1,577,894
Fund Balances at Beginning of Year - Restated (Note 3)	3,452,974	915,770	2,018,039	1,612,170	7,998,953
Fund Balances at End of Year	\$5,001,096	\$719,100	\$2,252,178	\$1,604,473	\$9,576,847

See accompanying notes to the basic financial statements.

St. Marys City School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Receipts</u>				
Property Taxes	\$7,039,711	\$7,039,711	\$7,093,424	\$53,713
Income Taxes	277,692	277,692	2,425,669	2,147,977
Intergovernmental	12,299,585	12,299,585	11,812,457	(487,128)
Interest	99,365	99,365	102,282	2,917
Tuition and Fees	1,320,838	1,320,838	733,083	(587,755)
Gifts and Donations	1,150	1,150	3,237	2,087
Miscellaneous	575,396	579,896	625,178	45,282
Total Receipts	21,613,737	21,618,237	22,795,330	1,177,093
<u>Disbursements</u>				
Current:				
Instruction:				
Regular	10,285,209	10,285,209	10,145,435	139,774
Special	2,980,361	3,296,361	3,301,502	(5,141)
Vocational	1,086,380	880,880	868,068	12,812
Adult/Continuing	8,202	8,202	54	8,148
Support Services:				
Pupils	1,668,170	1,408,170	1,388,867	19,303
Instructional Staff	508,878	514,878	514,814	64
Board of Education	112,158	117,458	117,450	8
Administration	1,595,852	1,595,852	1,572,426	23,426
Fiscal	439,582	513,582	511,003	2,579
Business	113,092	113,092	17,090	96,002
Operation and Maintenance of Plant	1,712,567	1,758,567	1,758,035	532
Pupil Transportation	854,752	854,752	847,555	7,197
Central	9,946	10,146	10,106	40
Noninstructional Services	2,071	2,071	1,399	672
Extracurricular Activities	467,413	485,413	461,525	23,888
Total Disbursements	21,844,633	21,844,633	21,515,329	329,304
Changes in Fund Balance	(230,896)	(226,396)	1,280,001	1,506,397
Fund Balance at Beginning of Year	2,990,536	2,990,536	2,990,536	0
Prior Year Encumbrances Appropriated	462,438	462,438	462,438	0
Fund Balance at End of Year	\$3,222,078	\$3,226,578	\$4,732,975	\$1,506,397

See accompanying notes to the basic financial statements.

St. Marys City School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts</u>				
Property Taxes	\$129,947	\$129,947	\$129,947	\$0
Intergovernmental	43,579	43,579	42,003	(1,576)
Total Receipts	173,526	173,526	171,950	(1,576)
<u>Disbursements</u>				
Current:				
Support Services:				
Operation and Maintenance of Plant	383,560	437,560	437,327	233
Changes in Fund Balance	(210,034)	(264,034)	(265,377)	(1,343)
Fund Balance at Beginning of Year	746,382	746,382	746,382	0
Prior Year Encumbrances Appropriated	169,388	169,388	169,388	0
Fund Balance at End of Year	\$705,736	\$651,736	\$650,393	(\$1,343)

See accompanying notes to the basic financial statements.

St. Marys City School District
Statement of Cash Basis Change in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2020

<u>Receipts</u>	
Charges Received for OHSAA	\$14,253
<u>Disbursements</u>	
Distributions on Behalf of OHSAA	<u>14,253</u>
Change in Net Position	0
Net Position at Beginning of Year - Restated (Note 3)	<u>0</u>
Net Position at End of Year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

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St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1862. The School District serves an area of approximately eighty-one square miles. It is located in Auglaize County, and includes all of the City of St. Marys and portions of Logan, Moulton, Noble, Salem, St. Marys, and Washington Townships. It is staffed by one hundred six classified employees, one hundred forty-two certified teaching personnel, and eleven administrative employees who provide services to 2,005 students and other community members. The School District currently operates four school buildings and a service building.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the St. Marys City School District.

The following activities are included within the reporting entity:

Parochial School - Within the School District boundaries, the Holy Rosary Elementary School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to the parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity is reflected in a special revenue fund of the School District for financial reporting purposes.

The School District participates in two jointly governed organizations, two insurance pools, a joint venture, and is associated with a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Auglaize County Educational Academy, Southwestern Ohio Educational Purchasing Council Insurance Program, Northern Buckeye Education Council Workers' Compensation Group Rating Plan, Tri-Star Career Compact, and the St. Marys Community Public Library. These organizations are presented in Notes 18, 19, 20, and 21 to the basic financial statements.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal 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 or capital requirements 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.

Fund Financial Statements

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

B. 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 funds of the School District are divided into two categories, governmental and fiduciary.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, the Classroom Facilities Maintenance special revenue fund, and the Bond Retirement debt service fund.

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

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance Fund is used to account for property taxes restricted to maintain buildings and facilities.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

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

Fiduciary Funds

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

The School District's custodial fund is use to account for resources remitted to the Ohio High School Athletic Association.

C. 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 recorded 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 or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds 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 level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

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

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

E. Cash and Investments

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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2020, the School District's investments consisted of STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2020 was \$102,282, which included \$19,182 assigned from other School District funds.

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

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent cash held in a flex spending account.

G. Capital Assets

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

H. 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.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs, parochial school subsidies, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

K. Fund Balance

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

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

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Certain resources have also been assigned for educational and administrative activities.

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.

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

L. Pensions/Other Postemployment Benefits

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Position

A. Change in Accounting Principles

For fiscal year 2020, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities”, Statement No. 90, “Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61”, and related guidance from GASB Implementation Guide 2019-2, “Fiduciary Activities”.

For fiscal year 2020, the School District also implemented GASB Implementation Guide No. 2018-1. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These reclassifications resulted in a restatement of the School District’s financial statements.

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government’s holding of the equity interest meets the definition of an investment. These changes were incorporated in the School District’s fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

B. Restatement of Fund Balance/Net Position

The restatement due to the implementation of GASB Statement No. 84 had the following effect on fund balance as previously reported at June 30, 2019.

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2019	\$3,440,065	\$915,770	\$2,018,039	\$1,522,075	7,895,949
GASB Statement No. 84	<u>12,909</u>	<u>0</u>	<u>0</u>	<u>90,095</u>	<u>103,004</u>
Restated Fund Balance at June 30, 2019	<u>\$3,452,974</u>	<u>\$915,770</u>	<u>\$2,018,039</u>	<u>\$1,612,170</u>	<u>\$7,998,953</u>

The restatement had the following effect on net position as previously reported.

	<u>Governmental Activities</u>
Net Position at June 30, 2019	\$7,895,949
GASB Statement No. 84	<u>103,004</u>
Restated Net Position at June 30, 2019	<u>\$7,998,953</u>

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Change in Basis of Accounting and Restatement of Fund Balance/Net Position (continued)

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$0. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds; at June 30, 2019, agency funds reported assets and liabilities of \$103,004.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund and the Classroom Facilities Maintenance special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis). The General Fund and Classroom Facilities Maintenance special revenue fund encumbrances outstanding at year end (budgetary basis) were \$268,121 and \$68,707, respectively.

Note 5 - Accountability and Compliance

A. Accountability

At June 30, 2020, the Vocational Education Enhancements, Title VI-B, Title I, Title II-A, and Miscellaneous Federal Grants special revenue funds had deficit cash balances of \$505, \$41,157, \$48,674, \$5,987, and \$3,144, respectively, resulting from disbursements in advance of grant receipts. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

B. Compliance

For the fiscal year ended June 30, 2020, the General Fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$5,141, for special instruction. The Title II-A special revenue fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$4,038. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

Note 6 - Deposits and Investments

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

Active monies are public monies 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.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

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

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

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

Interim monies 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

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

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

Investments

As of June 30, 2020, the School District had funds on deposit with STAR Ohio, in the amount of, \$5,722,009. The School District's investments in STAR Ohio had an average maturity of 41.5 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or 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 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Property Taxes (continued)

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2019 Second- Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$273,494,100	96.58%	\$276,216,760	96.41%
Public Utility	9,674,420	3.42	10,299,370	3.59
Total Assessed Value	<u>\$283,168,520</u>	<u>100.00%</u>	<u>\$286,516,130</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$56.77		\$56.77	

Note 8 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area and enterprise zone agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2020 Taxes Abated
Community Reinvestment Area City of St. Marys	\$247,685
Enterprise Zone Tax Exemption Auglaize County	30,284
	<u>\$277,969</u>

Note 9 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2019 for a five year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted with the Southwestern Ohio Educational Purchasing Council Insurance Program for the following insurance coverage.

Coverage provided by Brit Gobl Specialty USA Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Automobile Liability	1,000,000
Building	80,006,249
Contents	11,701,321
Excess Liability	1,000,000

Coverage provided by Travelers Property Casualty Company is as follows:

Boiler and Machinery	\$250,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC), a public entity shared risk pool. The School District pays an annual premium to SOEPC for property and liability insurance coverage, as well as medical and dental insurance. The Executive Committee of SOEPC is responsible for its management and operation. The annual premium provides funding for the Aggregate Loss Fund, excess coverage, claims administration, and membership to SOEPC. The School District's risk within SOEPC is limited to any deductibles and the portion of the premium paid and held within the Aggregate Loss Fund. All annual claims above the amount held within the Aggregate Loss Fund will be paid by the excess liability policy.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. Northern Buckeye Education Council serves as sponsor for the plan through Optimal Health Initiatives. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants of the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and performs its obligations in accordance with the terms of the agreement.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - Contractual Obligations

As of June 30, 2020, the School District had contractual commitments as follows:

Vendor	Outstanding Balance
Auglaize County Educational Service Center	\$20,131
Buckeye Educational System, Inc.	23,093
Buehler Asphalt Paving, Inc.	43,490
City of St. Marys	93,038
Gordan Food Service	73,478
Interstate Gas Supply, Inc.	13,188
Rightway Food Service	11,914
Scorevision, LLC	84,000
Scott Scriven, LLP	43,089

At fiscal year end, the significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2021 are as follows:

General	\$268,121
Classroom Facilities Maintenance	68,707
Other Governmental	230,263
Total	\$567,091

Note 12 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but, does not require, the retirement systems to provide health care to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. The 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; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; 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 the final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - 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. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

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

The School District's contractually required contribution to SERS was \$344,399 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified 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 publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP 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 sixty or thirty years of service credit at any age.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

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

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

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DCP 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 DCP 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, 2020, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$1,467,626 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

Following is information related to the proportionate share.

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	.07942790%	.08971190%	
Current Measurement Date	.07411480%	.08622168%	
Change in Proportionate Share	.00531310%	.00349022%	
Proportionate Share of the Net Pension Liability	\$4,434,419	\$19,067,407	\$23,501,826

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 modification as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2019, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

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

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

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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 7.5 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$6,214,206	\$4,434,419	\$2,941,844

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

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 Rate of Return **</u>
Domestic Equity	28.00%	7.35%
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
	<u>100.00%</u>	

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Defined Benefit Pension Plans (continued)

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 7.45 percent as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District’s Proportionate Share of the Net Pension Liability	\$27,864,890	\$19,067,407	\$11,619,886

Social Security System

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

Note 13 - Defined Benefit OPEB Plans

See Note 12 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan 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 ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of sixty-five 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 State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Defined Benefit OPEB Plans (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$47,274.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care was \$61,994 for fiscal year 2020.

State Teachers Retirement System (STRS)

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

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Defined Benefit OPEB Plans (continued)

Net OPEB Liability (Asset)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	.08015740%	.08917790%	
Current Measurement Date	.07565360%	.08622168%	
Change in Proportionate Share	.00450380%	.00295622%	
 Proportionate Share of the Net OPEB Liability (Asset)	 \$1,902,528	 (\$1,428,038)	 \$474,490

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 termination). Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

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

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

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Defined Benefit OPEB Plans (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below.

Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.7 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 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 ten 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 SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) or one percentage point higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net OPEB Liability	\$2,309,309	\$1,902,528	\$1,579,091
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$1,524,311	\$1,902,528	\$2,404,332

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

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

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Defined Benefit OPEB Plans (continued)

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

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 Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$1,218,546	\$1,428,038	\$1,604,172
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$1,619,329	\$1,428,038	\$1,193,752

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. All two hundred sixty day administrative personnel earn twenty to twenty-five days of vacation per contract period. Accumulated unused vacation time is paid to classified employees and two hundred sixty day administrative personnel upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated without limit for certified employees and classified employees. Upon retirement, payment is made for 28.5 percent of accrued but unused sick leave credit to a maximum of fifty-seven days for both certified and classified employees.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Other Employee Benefits (continued)

B. Health Care Benefits

The School District offers medical and dental insurance to most employees through the Southwestern Ohio Educational Purchasing Council Insurance Program. Vision insurance is provided through Vision Service Plan, Inc. In addition, the School District offers life insurance through American United Life Insurance Company.

Note 15 - Long-Term Obligations

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

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2015 School Improvement					
Refunding Bonds A					
Serial Bonds 2.5-5%	\$8,465,000	\$0	\$0	\$8,465,000	\$0
2015 School Improvement					
Refunding Bonds B					
Serial Bonds 2-5%	8,380,000	0	0	8,380,000	825,000
2016 School Improvement					
Refunding Bonds					
Serial Bonds 1.75-5%	2,775,000	0	780,000	1,995,000	0
Total Governmental Activities	<u>\$19,620,000</u>	<u>\$0</u>	<u>\$780,000</u>	<u>\$18,840,000</u>	<u>\$825,000</u>

FY 2015 School Improvement Refunding Bonds A - On November 20, 2014, the School District issued bonds, in the amount of \$8,465,000, to partially advance refund bonds previously issued in fiscal year 2008 to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The refunding bond issue consists of serial bonds. The bonds were issued for a fifteen fiscal year period, with final maturity in fiscal year 2030. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing on or after December 1, 2025, are subject to prior redemption on or after December 1, 2024, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The refunded bonds were fully retired in fiscal year 2019.

FY 2015 School Improvement Refunding Bonds B - On February 18, 2015, the School District issued bonds, in the amount of \$8,460,000, to partially advance refund bonds previously issued in fiscal year 2008 to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The refunding bond issue consists of serial bonds. The bonds were issued for a twenty fiscal year period, with final maturity in fiscal year 2035. The bonds are being retired through the Bond Retirement debt service fund.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Long-Term Obligations (continued)

The serial bonds maturing on or after December 1, 2025, are subject to prior redemption on or after December 1, 2024, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The refunded bonds were fully retired in fiscal year 2019.

FY 2016 School Improvement Refunding Bonds - On March 31, 2016, the School District issued bonds, in the amount of \$3,555,000, to partially advance refund bonds previously issued in fiscal year 2008 to renovate, improve, expand, furnish, and equip the current school facilities and construct new school facilities. The refunding bond issue consists of serial bonds. The bonds were issued for a twenty fiscal year period, with final maturity in fiscal year 2036. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds maturing on or after December 1, 2034, are subject to prior redemption on or after December 1, 2025, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The refunded bonds were fully retired in fiscal year 2018.

The School District's overall debt margin was \$9,198,630 with an un-voted debt margin of \$286,516 at June 30, 2020.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, were as follows:

Fiscal Year Ending	General Obligation Bonds	
	Principal	Interest
2021	\$825,000	\$818,500
2022	840,000	801,850
2023	930,000	781,825
2024	950,000	755,950
2025	985,000	726,925
2026-2030	5,600,000	2,888,250
2031-2035	7,050,000	1,313,425
2036	1,660,000	41,500
Totals	\$18,840,000	\$8,128,225

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Fund Balance

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balance	General	Classroom Facilities Maintenance	Bond Retirement
Restricted for:			
Flex Spending	\$10,903	\$0	\$0
Classroom Facilities Maintenance	0	719,100	0
Debt Service	0	0	2,252,178
Total Restricted	<u>10,903</u>	<u>719,100</u>	<u>2,252,178</u>
Committed for:			
Technology	<u>45,792</u>	<u>0</u>	<u>0</u>
Assigned for:			
Educational Activities	79,736	0	0
Administrative Activities	5,365	0	0
Unpaid Obligations	<u>267,791</u>	<u>0</u>	<u>0</u>
Total Assigned	<u>352,892</u>	<u>0</u>	<u>0</u>
Unassigned	<u>4,591,509</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$5,001,096</u>	<u>\$719,100</u>	<u>\$2,252,178</u>

Fund Balance	Other Governmental Funds	Total Governmental Funds
Restricted for:		
Adult Education	\$1,425	\$1,425
Athletics and Music	135,403	135,403
Building Construction	490,205	490,205
Classroom Facilities Maintenance	0	719,100
Debt Service	0	2,252,178
Flex Spending	0	10,903
Food Service Operations	413,921	413,921
Network Connectivity	3,600	3,600
Non-Public Schools	64,399	64,399
Permanent Improvements	385,289	385,289
Regular Instruction	822	822
Student Activities	97,567	97,567
Student Wellness	<u>111,309</u>	<u>111,309</u>
Total Restricted	<u>1,703,940</u>	<u>4,686,121</u>
Committed for:		
Technology	<u>0</u>	<u>45,792</u>
Assigned for:		
Educational Activities	0	79,736
Teacher Activities	0	5,365
Unpaid Obligations	<u>0</u>	<u>267,791</u>
Total Assigned	<u>0</u>	<u>352,892</u>
Unassigned (Deficit)	<u>(99,467)</u>	<u>4,492,042</u>
Total Fund Balance	<u>\$1,604,473</u>	<u>\$9,576,847</u>

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 - Set Asides

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2020.

	Capital Improvements
Balance June 30, 2019	\$0
Current Year Set Aside Requirement	368,603
Current Year Offsets	(368,603)
Balance June 30, 2020	\$0

Note 18 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2020, the School District paid \$67,569 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Elida Road, Elida, Ohio 45807.

B. Auglaize County Educational Academy

The School District is a participant in the Auglaize County Educational Academy (ACEA), which is a community school. The ACEA is an association of the school districts within Auglaize County to provide general curricular education for kindergarten through twelfth grade students for gifted, regular, and special education instruction through the use of a virtual curriculum. The governing board of the ACEA consists of the superintendents from each of the participating school districts. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Street Suite 2, Wapakoneta, Ohio 45895.

Note 19 - Insurance Pools

A. Southwestern Ohio Educational Purchasing Council Insurance Program

The School District participates in a public entity shared risk pool. The Southwestern Ohio Educational Purchasing Council Insurance Program (SOEPC) provides for property and liability insurance coverage as well as medical and dental insurance.

SOEPC's business and affairs are conducted by an Executive Council of participating school administrators and the director of the SOEPC. Participation in SOEPC is by written application subject to acceptance by the Executive Council and the payment of the annual premium. The Administrator of SOEPC is Arthur J. Gallagher Risk Management Services which coordinates the management, administration, claims management, and actuarial studies of SOEPC. Insurance premiums are paid to SOEPC. Financial information can be obtained from Southwestern Ohio Educational Purchasing Council Insurance Program, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums.

B. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council as an insurance purchasing pool. The Plan is governed by the Plan's Board and its participants. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program. Financial information can be obtained from Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 20 - Joint Venture

The School District participates in the Tri-Star Career Compact, a joint venture with eight other school districts. The nine participating school districts comprise a "qualifying partnership" as defined by Ohio Revised Code Section 3318.71. The purpose of the Compact is to establish and maintain a career technical education program in accordance with standards adopted by the State Board of Education.

The joint venture is served by an advisory council consisting of two representatives each from the St. Marys City School District, the Celina City School District, and the Coldwater Exempted Village School District, three members representing the local school districts in Auglaize County (Minster, New Bremen, and New Knoxville), and three members representing the local school districts in Mercer County (Fort Recovery, Marion, and St. Henry). Members serve terms of two years. The advisory council serves at the discretion of the Boards of Education of the participating school districts and is not responsible to serve the electorate in any legal capacity.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 20 - Joint Venture (continued)

In fiscal year 2016, the joint venture issued \$16,999,987 in classroom facilities bonds to acquire classroom facilities. The bonds are a general obligation of the “qualifying partnership”. The bonds have an interest rate ranging from 2 percent to 4.2 percent and mature in fiscal year 2032. The bonds will be repaid from the resources of a property tax levied by the qualifying partnership and the qualifying partnership is obligated to pay all debt service on the bonds. If the proceeds of the tax collection are less than anticipated in any particular year resulting in insufficient resources to pay the principal and interest requirements of the bonds, the school districts making up the partnership are obligated to make up the amount of any shortfall.

In addition, each participating school district is required to contribute a service fee and a reserve capital fee for each participating student from their school district and may also incur excess costs for operations of the Tri-Star Career Compact.

The joint venture has not currently accumulated significant financial resources nor is the joint venture experiencing fiscal stress that would cause an additional financial benefit to or burden on the participants; however, all participants have an ongoing financial responsibility as outlined above. Financial information may be obtained from the Celina City School District who serves as fiscal agent for the joint venture.

Note 21 - Related Organization

The St. Marys Community 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 a Board of Trustees appointed by the St. Marys City School District Board of Education. 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 serves as the taxing authority, 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 the St. Marys Community Public Library, 140 South Chestnut Street, St. Marys, Ohio 45855.

Note 22 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

St. Marys City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 22 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2020 Foundation funding for the District. As a result of the adjustments, the District received an additional \$18,641 from ODE. This amount has not been included in the financial statements..

C. Litigation

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

Note 23 - COVID-19 Pandemic

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

**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Agriculture		
(Passed through Ohio Department of Education)		
Child Nutrition Cluster:		
School Breakfast Program		
Cash Assistance	10.553	\$54,748
COVID-19 Cash Assistance	10.553	53,337
Total School Breakfast Program		<u>108,085</u>
National School Lunch Program		
Cash Assistance	10.555	311,123
COVID-19 Cash Assistance	10.555	120,593
Non-Cash Assistance (Food Distribution)	10.555	90,396
Total National School Lunch Program		<u>522,112</u>
Total Child Nutrition Cluster		<u>630,197</u>
Total U.S. Department of Agriculture		<u>630,197</u>
U.S. Department of Treasury		
(Passed through Ohio Department of Education)		
COVID-19 - Coronavirus Relief Fund - Rural and Small Town	21.019	<u>14,675</u>
Total U.S. Department of Treasury		<u>14,675</u>
U.S. Department of Education		
(Passed through Ohio Department of Education)		
Special Education Cluster		
Special Education - Grants to States	84.027	465,414
Total Special Education Cluster		<u>465,414</u>
Student Support and Academic Enrichment Program	84.424	19,093
Title I Grants to Local Educational Agencies	84.010	601,792
Supporting Effective Instruction State Grants	84.367	<u>62,695</u>
Total U.S. Department of Education		<u>1,148,994</u>
Total Federal Awards Expenditures		<u><u>1,793,866</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of St. Marys City School District (the School District's) under programs of the federal government for the fiscal year ended June 30, 2020. 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 either 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 program 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's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amount from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 21,521
Supporting Effective Instruction State Grants	84.367	\$ 3,002

NOTE G – PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by area Educational Service Centers (ESC). For 2020 the School District's allocations are as follows:

Special Education Preschool Grants (CFDA# 84.173; Auglaize County ESC)	\$13,528
English Language Acquisition State Grants (CFDA# 84.365; Mercer County ESC)	\$852

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

St. Marys City School District
Auglaize County
2250 State Route 66
St. Marys, Ohio 45885-9355

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Marys City School District, Auglaize County, (the School District) as of and for the fiscal year ended June 30, 2020, 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 January 8, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

School District's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

St. Marys City School District
Auglaize County
2250 State Route 66
St. Marys, Ohio 45885-9355

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited St. Marys City School District's, Auglaize County, (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of St. Marys City School District's major federal programs for the fiscal year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, St. Marys City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 8, 2021

**ST. MARYS CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster Title I Grants to Local Educational Agencies (CFDA 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 2020-001

Noncompliance

Ohio Rev. Code § 117.38(A) 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.”

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 basis of cash receipts and cash disbursements, 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.

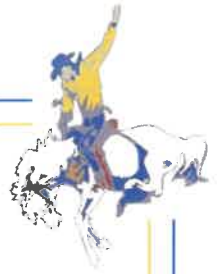
Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District’s ability to evaluate and monitor the overall financial condition 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 Board of Education of St. Marys City Schools has opted to prepare its financial statements using the ‘look alike’ OCBOA presentation. The driving force behind this option is financial. The preparation costs, as well as the auditing costs, are considerable less with this OCBOA presentation than with a GAAP presentation. In addition, the AICPA has interpreted that this type of ‘look alike’ OCBOA presentation is acceptable.

3. FINDINGS FOR FEDERAL AWARDS

None

St. Marys City Schools



Administrative Offices:
2250 State Route 66
St. Marys, OH 45885-9355
Phone: 419-394-4312
FAX: 419-394-5638
<http://www.smridders.net>

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Finding first report in 2005, Ohio Rev. Code Sec. 117.38 and Ohio Admin. Code Sec. 117-02-03 (B) Failed to prepare Financial Statements in Accordance with GAAP.	Not Corrected.	Repeated as Finding 2020-001

Superintendent
Bill Ruane
419-394-4312

Treasurer
Andy Wilker
419-394-4312

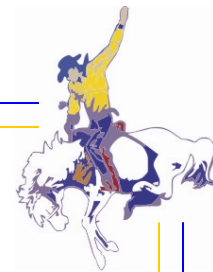
Director of Special
Education/Student Services
Cary Roehm
419-394-7278

Curriculum Director
Kim Overman
419-300-1406

Board of Education
Brian Little, President
Chris Falk, Vice President
Karl Dammeyer
Ronda Shelby
Ron Wilker

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St. Marys City Schools



Administrative Offices:
2250 State Route 66
St. Marys, OH 45885-9355
Phone: 419-394-4312
FAX: 419-394-5638
<http://www.smriders.net>

CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **June 30, 2020**

Finding Number: 2020-001
Planned Corrective Action: There is no corrective action plan. The Board of Education of St. Marys City Schools has opted to prepare its financial statements using the 'look alike' OCBOA presentation. The driving force behind this option is financial. The preparation costs, as well as the auditing costs, are considerable less with this OCBOA presentation than with a GAAP presentation. In addition, the AICPA has interpreted that this type of 'look alike' OCBOA presentation is acceptable.

Anticipated Completion Date: N/A
Responsible Contact Person: Andrew Wilker, Treasurer

Superintendent
Bill Ruane
419-394-4312

Treasurer
Andy Wilker
419-394-4312

Director of Special
Education/Student Services
Cary Roehm
419-394-7278

Curriculum Director
Kim Overman
419-300-1406

Board of Education
Brian Little, President
Chris Falk, Vice President
Karl Dammeyer
Ronda Shelby
Ron Wilker

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OHIO AUDITOR OF STATE KEITH FABER



ST. MARYS CITY SCHOOL DISTRICT

AUGLAIZE 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 1/28/2021

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

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