



**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY
JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Van Wert City School District
Van Wert County
205 West Crawford Street
Van Wert, Ohio 45891

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Wert City School District, as of June 30, 2020, and the respective changes in modified cash financial position and the budgetary comparison for the General fund 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 modified 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 21 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.

Also as discussed in Note 22 to the financial statements, the School District restated opening net position related to the School District's fiscal agent responsibilities for the Van Wert Area Schools Insurance Group. 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 Revenues and 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 Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 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

April 27, 2021

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Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

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

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- ❑ In total, net position decreased \$135,336 from fiscal year 2019.
- ❑ Total outstanding debt decreased \$1,194,672 through principal payments made.

Using this Annual Report

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2020, the General Fund and the Bond Retirement fund are the School District's most significant funds.

Basis of Accounting

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

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

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Fund – The proprietary fund focuses on the determination of the changes in net position and financial position. This fund is reported using the modified cash basis of accounting. The School District's proprietary fund is classified as an internal service fund. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District has one internal service fund, which accounts for the Van Wert Area Schools Insurance Group (VWASIG). The School District was the fiscal agent and predominant participant for the VWASIG, which is a public entity shared risk pool, during a portion of 2020.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Reporting the School District's Fiduciary Responsibilities

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for scholarships, student activities, and the Van Wert County Family and Children First Council.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2020 compared to 2019.

(Table 1)
Net Position – Modified Cash Basis

	Governmental Activities		
	2020	2019	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,572,669	\$ 9,710,590	\$ (137,921)
Cash and Cash Equivalents in Segregated Accounts	160,313	157,728	2,585
<i>Total Assets</i>	<u>\$ 9,732,982</u>	<u>\$ 9,868,318</u>	<u>\$ (135,336)</u>
Net Position			
Restricted for:			
Capital Outlay	\$ 414,820	\$ 1,248,940	\$ (834,120)
Debt Service	1,539,078	1,372,365	166,713
Educational Purposes:			
Expendable	10,525	10,129	396
Non-Expendable	25,000	25,000	0
Other Purposes	1,337,245	1,135,050	202,195
Unrestricted	<u>6,406,314</u>	<u>6,076,834</u>	<u>329,480</u>
<i>Total Net Position</i>	<u>\$ 9,732,982</u>	<u>\$ 9,868,318</u>	<u>\$ (135,336)</u>

Net position of the governmental activities decreased \$135,336 from fiscal year 2019.

A portion of the School District's net position, \$3,326,668, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$6,406,314 may be used to meet the School District's ongoing obligations.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2020 as compared to fiscal year 2019.

(Table 2)
Changes in Net Position – Modified Cash Basis

	Governmental Activities		
	2020	2019	Change
Receipts			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 1,540,963	\$ 1,743,822	\$ (202,859)
Operating Grants, Contributions and Interest	4,137,780	3,544,199	593,581
Capital Grants, Contributions and Interest	0	40,000	(40,000)
<i>Total Program Receipts</i>	<u>5,678,743</u>	<u>5,328,021</u>	<u>350,722</u>
<i>General Receipts</i>			
Property Taxes	7,744,291	7,415,561	328,730
Income Taxes	3,277,826	3,001,164	276,662
Grants and Entitlements not Restricted to			
Specific Programs	12,490,228	12,839,922	(349,694)
Payments in Lieu of Taxes	7,697	29,553	(21,856)
Proceeds from Sale of Assets	7,000	3,431	3,569
Proceeds of Lease-Purchase	0	1,278,000	(1,278,000)
Insurance Recoveries	900	5,648	(4,748)
Investment Earnings	168,137	226,236	(58,099)
Miscellaneous	243,627	163,258	80,369
<i>Total General Receipts</i>	<u>23,939,706</u>	<u>24,962,773</u>	<u>(1,023,067)</u>
<i>Total Receipts</i>	<u>29,618,449</u>	<u>30,290,794</u>	<u>(672,345)</u>
<i>Program Disbursements</i>			
Instruction:			
Regular	11,397,220	11,365,214	32,006
Special	5,352,350	4,908,767	443,583
Vocational	122,447	181,460	(59,013)
Student Intervention Services	16,860	26,647	(9,787)
Other	332,666	344,733	(12,067)
Support Services:			
Pupils	1,736,874	1,846,218	(109,344)
Instructional Staff	829,841	759,094	70,747
Board of Education	98,422	70,472	27,950
Administration	2,024,821	1,836,604	188,217
Fiscal	677,239	641,853	35,386
Operation and Maintenance of Plant	2,157,055	2,090,354	66,701
Pupil Transportation	566,862	511,174	55,688
Central	173,732	147,397	26,335
Operation of Non-Instructional Services:			
Food Service Operations	804,442	841,811	(37,369)
Community Services	86,198	97,526	(11,328)
Extracurricular Activities	754,091	805,107	(51,016)
Capital Outlay	800,480	756,060	44,420
Debt Service:			
Principal Retirement	1,247,000	1,095,000	152,000
Interest and Fiscal Charges	575,185	566,890	8,295
<i>Total Program Disbursements</i>	<u>29,753,785</u>	<u>28,892,381</u>	<u>861,404</u>
<i>Change in Net Position</i>	<u>(135,336)</u>	<u>1,398,413</u>	<u>(1,533,749)</u>
<i>Net Position Beginning of Year</i>	<u>9,868,318</u>	<u>8,469,905</u>	<u>1,398,413</u>
<i>Net Position End of Year</i>	<u>\$ 9,732,982</u>	<u>\$ 9,868,318</u>	<u>\$ (135,336)</u>

The fiscal year 2020 student wellness State grant accounts for the increase in operating grants over the prior year while the lease-purchase agreement entered into during fiscal year 2019 accounts for the decrease in proceeds. The COVID-19 pandemic was a contributing factor in the decrease of unrestricted grants and entitlements.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

(Table 3)
Governmental Activities – Modified Cash Basis

	Total Costs of Services		Net Costs of Services	
	2020	2019	2020	2019
Program Disbursements				
Instruction:				
Regular	\$ 11,397,220	\$ 11,365,214	\$ 10,185,815	\$ 10,147,944
Special	5,352,350	4,908,767	3,005,019	2,393,964
Vocational	122,447	181,460	(62,462)	3,265
Student Intervention Services	16,860	26,647	16,860	26,647
Other	332,666	344,733	332,666	344,733
Support Services:				
Pupils	1,736,874	1,846,218	1,037,436	1,841,780
Instructional Staff	829,841	759,094	796,866	722,442
Board of Education	98,422	70,472	98,422	70,472
Administration	2,024,821	1,836,604	1,987,764	1,778,120
Fiscal	677,239	641,853	677,239	641,853
Operation and Maintenance of Plant	2,157,055	2,090,354	2,128,167	2,015,099
Pupil Transportation	566,862	511,174	478,705	449,553
Central	173,732	147,397	171,057	147,397
Operation of Non-Instructional Services:				
Food Service Operations	804,442	841,811	79,890	(3,954)
Community Services	86,198	97,526	(3,020)	3,179
Extracurricular Activities	754,091	805,107	544,198	563,916
Capital Outlay	800,480	756,060	778,235	756,060
Debt Service:				
Principal Retirement	1,247,000	1,095,000	1,247,000	1,095,000
Interest and Fiscal Charges	575,185	566,890	575,185	566,890
Total	\$ 29,753,785	\$ 28,892,381	\$ 24,075,042	\$ 23,564,360

The dependence upon tax receipts and general receipts entitlements from the state for governmental activities is apparent. Program receipts only account for 19 percent of all governmental disbursements. The community is the largest area of support for the School District students.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$9,732,982 which is lower than the prior year balance of \$9,868,318.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The General Fund's fund balance increased \$316,618 in fiscal year 2020, primarily due to receipts outpacing disbursements.

The Bond Retirement Fund increased in fund balance by \$166,713 in fiscal year 2020, due to timing of receipts and debt service payments.

General Fund Budgeting Highlights

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

Original Budget Compared to Final Budget For the General Fund, there were no significant differences between original and final budget basis receipts. There were also no significant amendments made to budget basis disbursements.

Final Budget Compared to Actual Results There were insignificant differences in final budget basis and actual receipts as well as final budget basis and actual disbursements.

There were also no significant differences in other financing sources and uses.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2020 and 2019.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2020	2019
2006 Refunding Bonds - Capital Appreciation Bonds	\$ 5,000	\$ 5,000
Accretion on 2006 Capital Appreciation Bonds	210,783	158,455
2016 Refunding Bonds - Serial Bonds	13,155,000	14,160,000
2016 Energy Conservation Refunding Loan	225,000	260,000
OASBO School Improvement Loan	1,191,000	1,270,000
2018 Tax Anticipation Note	240,000	300,000
2019 Lease Purchase Agreement	1,210,000	1,278,000
<i>Total</i>	<u>\$ 16,236,783</u>	<u>\$ 17,431,455</u>

For further information regarding the School District's debt, refer to Note 11 of the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Current Issues

The School District is always concerned with State funding formulas, the resources available to the State, and the amount allocated to education. As a result of the Coronavirus pandemic the School District's FY20 State funding was cut by \$354,452. As of now, the State has reduced the School District's fiscal year 2021 funding by the same amount as fiscal year 2020.

Fiscal year 2020 is a reappraisal year with no growth expected based on current sales to market ratios.

School district income tax collections are anticipated to decline as a result of the pandemic as well. However, the current pandemic we are enduring is unprecedented, so the School District will need to monitor the economic impact very closely.

The Board of Education approved a three-year contract with the Van Wert Federation of Teachers and with the Classified Employees of Van Wert City Schools, effective August 1, 2020, which will result in a 2 percent increase in base wages for fiscal year 2021, 2022, 2023. Step increases were granted in all three fiscal years.

The School District is proud and appreciates its community support of the school system. The administration continues to try to balance education needs and community interests with the resources available. The challenge is to provide quality services while adhering to mandates and staying within the limited and changing funding. The School District will monitor the impact of the current pandemic and make necessary spending reductions while striving for a balanced budget.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michelle Mawer, Treasurer, Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891-9243.

Van Wert City School District
Van Wert County, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 9,572,669
Cash and Cash Equivalents in Segregated Accounts	160,313
<i>Total Assets</i>	9,732,982
Net Position	
Restricted for:	
Capital Outlay	414,820
Debt Service	1,539,078
Educational Purposes:	
Expendable	10,525
Non-Expendable	25,000
Other Purposes	1,337,245
Unrestricted	6,406,314
<i>Total Net Position</i>	\$ 9,732,982

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2020

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Receipts and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 11,397,220	\$ 1,058,741	\$ 152,664	\$ (10,185,815)
Special	5,352,350	19,738	2,327,593	(3,005,019)
Vocational	122,447	0	184,909	62,462
Student Intervention Services	16,860	0	0	(16,860)
Other	332,666	0	0	(332,666)
Support Services:				
Pupils	1,736,874	0	699,438	(1,037,436)
Instructional Staff	829,841	0	32,975	(796,866)
Board of Education	98,422	0	0	(98,422)
Administration	2,024,821	3,612	33,445	(1,987,764)
Fiscal	677,239	0	0	(677,239)
Operation and Maintenance of Plant	2,157,055	10,109	18,779	(2,128,167)
Pupil Transportation	566,862	0	88,157	(478,705)
Central	173,732	2,675	0	(171,057)
Operation of Non-Instructional Services:				
Food Service Operations	804,442	253,547	471,005	(79,890)
Community Services	86,198	0	89,218	3,020
Extracurricular Activities	754,091	192,541	17,352	(544,198)
Capital Outlay	800,480	0	22,245	(778,235)
Debt Service:				
Principal Retirement	1,247,000	0	0	(1,247,000)
Interest and Fiscal Charges	575,185	0	0	(575,185)
Total Governmental Activities	\$ 29,753,785	\$ 1,540,963	\$ 4,137,780	(24,075,042)

General Receipts

Property Taxes Levied for:	
General Purposes	6,014,586
Debt Service	1,346,186
Capital Outlay	269,715
Classroom Facilities Maintenance	113,804
Income Taxes Levied for:	
General Purposes	3,277,826
Grants and Entitlements not Restricted	12,490,228
Payments in Lieu of Taxes	7,697
Proceeds from Sale of Assets	7,000
Insurance Recoveries	900
Investment Earnings	168,137
Miscellaneous	243,627
Total General Receipts	23,939,706
Change in Net Position	(135,336)
Net Position Beginning of Year	9,868,318
Net Position End of Year	\$ 9,732,982

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2020

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 6,371,974	\$ 1,539,078	\$ 1,661,617	\$ 9,572,669
Cash and Cash Equivalents in Segregated Accounts	0	0	160,313	160,313
<i>Total Assets</i>	<u>\$ 6,371,974</u>	<u>\$ 1,539,078</u>	<u>\$ 1,821,930</u>	<u>\$ 9,732,982</u>
Fund Balances				
Nonspendable	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Restricted	0	1,539,078	1,762,590	3,301,668
Committed	0	0	34,340	34,340
Assigned	2,200,582	0	0	2,200,582
Unassigned	4,171,392	0	0	4,171,392
<i>Total Fund Balances</i>	<u>\$ 6,371,974</u>	<u>\$ 1,539,078</u>	<u>\$ 1,821,930</u>	<u>\$ 9,732,982</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 6,014,586	\$ 1,346,186	\$ 383,519	\$ 7,744,291
Income Taxes	3,277,826	0	0	3,277,826
Intergovernmental	13,583,889	325,295	2,629,169	16,538,353
Investment Income	165,765	0	4,099	169,864
Tuition and Fees	1,058,628	0	0	1,058,628
Extracurricular Activities	53,674	0	143,578	197,252
Gifts and Donations	27,590	0	60,338	87,928
Charges for Services	18,997	0	263,656	282,653
Payments in Lieu of Taxes	7,697	0	0	7,697
Rent	630	0	1,800	2,430
Miscellaneous	187,830	0	55,797	243,627
<i>Total Receipts</i>	<u>24,397,112</u>	<u>1,671,481</u>	<u>3,541,956</u>	<u>29,610,549</u>
Disbursements				
Current:				
Instruction:				
Regular	11,238,563	0	158,657	11,397,220
Special	4,308,853	0	1,043,497	5,352,350
Vocational	122,447	0	0	122,447
Student Intervention Services	16,860	0	0	16,860
Other	332,666	0	0	332,666
Support Services:				
Pupils	1,160,257	0	576,617	1,736,874
Instructional Staff	794,719	0	35,122	829,841
Board of Education	98,422	0	0	98,422
Administration	1,991,645	0	33,176	2,024,821
Fiscal	621,797	43,873	11,569	677,239
Operation and Maintenance of Plant	2,010,632	0	146,423	2,157,055
Pupil Transportation	464,340	0	102,522	566,862
Central	173,732	0	0	173,732
Extracurricular Activities	597,613	0	156,478	754,091
Operation of Non-Instructional Services:				
Food Service Operations	0	0	804,442	804,442
Community Services	0	0	86,198	86,198
Capital Outlay	2,312	0	798,168	800,480
Debt Service:				
Principal Retirement	103,000	1,005,000	139,000	1,247,000
Interest and Fiscal Charges	44,607	455,895	74,683	575,185
<i>Total Disbursements</i>	<u>24,082,465</u>	<u>1,504,768</u>	<u>4,166,552</u>	<u>29,753,785</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>314,647</u>	<u>166,713</u>	<u>(624,596)</u>	<u>(143,236)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	7,000	0	0	7,000
Insurance Recoveries	0	0	900	900
Advances In	0	0	5,029	5,029
Advances Out	(5,029)	0	0	(5,029)
Transfers In	0	0	9,340	9,340
Transfers Out	0	0	(9,340)	(9,340)
<i>Total Other Financing Sources (Uses)</i>	<u>1,971</u>	<u>0</u>	<u>5,929</u>	<u>7,900</u>
<i>Net Change in Fund Balances</i>	316,618	166,713	(618,667)	(135,336)
<i>Fund Balances Beginning of Year</i>	<u>6,055,356</u>	<u>1,372,365</u>	<u>2,440,597</u>	<u>9,868,318</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,371,974</u>	<u>\$ 1,539,078</u>	<u>\$ 1,821,930</u>	<u>\$ 9,732,982</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Receipts, Disbursements and Changes in
Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 5,858,311	\$ 5,858,311	\$ 6,014,586	\$ 156,275
Income Taxes	3,061,187	3,061,187	3,277,826	216,639
Intergovernmental	13,938,498	13,941,818	13,582,389	(359,429)
Investment Income	225,000	225,000	165,765	(59,235)
Tuition and Fees	1,062,800	1,062,800	1,058,628	(4,172)
Gifts and Donations	10,000	10,500	2,550	(7,950)
Charges for Services	110,000	110,000	18,997	(91,003)
Rent	36,500	36,500	630	(35,870)
Miscellaneous	46,400	46,400	119,381	72,981
<i>Total Receipts</i>	<u>24,348,696</u>	<u>24,352,516</u>	<u>24,240,752</u>	<u>(111,764)</u>
Disbursements				
Current:				
Instruction:				
Regular	11,623,732	11,465,716	11,286,829	178,887
Special	3,971,622	4,219,327	4,317,512	(98,185)
Vocational	214,835	198,029	122,447	75,582
Student Intervention Services	26,647	26,647	16,860	9,787
Other	344,733	344,733	332,666	12,067
Support Services:				
Pupils	1,883,802	1,690,114	1,168,325	521,789
Instructional Staff	933,793	946,713	800,142	146,571
Board of Education	84,930	98,050	98,422	(372)
Administration	1,822,859	1,904,254	1,988,875	(84,621)
Fiscal	683,254	704,828	629,349	75,479
Operation and Maintenance of Plant	2,155,429	2,292,566	2,167,468	125,098
Pupil Transportation	533,230	628,094	555,362	72,732
Central	186,754	191,666	206,476	(14,810)
Extracurricular Activities	505,869	504,383	537,202	(32,819)
Operation of Non-Instructional Services:				
Food Service Operations	33	33	0	33
Community Services	2,065	2,065	0	2,065
Capital Outlay	106,908	109,262	109,220	42
Debt Service:				
Principal Retirement	30,000	35,000	35,000	0
Interest and Fiscal Charges	6,463	6,463	5,699	764
<i>Total Disbursements</i>	<u>25,116,958</u>	<u>25,367,943</u>	<u>24,377,854</u>	<u>990,089</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(768,262)</u>	<u>(1,015,427)</u>	<u>(137,102)</u>	<u>878,325</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,500	1,500	7,000	5,500
Refund of Prior Year Expenditures	70,000	70,000	62,663	(7,337)
Advances Out	0	(5,029)	(5,029)	0
Transfers Out	(1,000)	(1,000)	0	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>70,500</u>	<u>65,471</u>	<u>64,634</u>	<u>(837)</u>
<i>Net Change in Fund Balance</i>	<u>(697,762)</u>	<u>(949,956)</u>	<u>(72,468)</u>	<u>877,488</u>
<i>Fund Balance Beginning of Year</i>	<u>5,748,023</u>	<u>5,748,023</u>	<u>5,748,023</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>257,117</u>	<u>257,117</u>	<u>257,117</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 5,307,378</u>	<u>\$ 5,055,184</u>	<u>\$ 5,932,672</u>	<u>\$ 877,488</u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio

Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Internal Service Fund</u>
Operating Receipts	
Charges for Services	\$ 2,777,343
Operating Disbursements	
Purchased Services	<u>2,424,979</u>
<i>Operating Income (Loss)</i>	<u>352,364</u>
Non-Operating Receipts (Disbursements)	
Investment Income	36,182
Distribution to New Fiscal Agent (See Note 16)	<u>(5,309,870)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(5,273,688)</u>
<i>Change in Net Position</i>	(4,921,324)
<i>Net Position Beginning of Year (Restated)</i>	<u>4,921,324</u>
<i>Net Position End of Year</i>	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2020

	Private Purpose Trust - Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 172,729	\$ 229,787
Investments	29,487	0
<i>Total Assets</i>	202,216	\$ 229,787
 Net Position		
Held in Trust for Scholarships	149,122	\$ 0
Held for Student Activities	0	163,600
Held on Behalf of Other Governments	0	66,187
Endowments	53,094	0
<i>Total Net Position</i>	\$ 202,216	\$ 229,787

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust - Scholarship
Additions	
Gifts and Contributions	\$ 47,608
Interest	1,689
Miscellaneous	26,666
<i>Total Additions</i>	75,963
 Deductions	
Payments in Accordance with Trust Agreements	41,749
<i>Change in Net Position</i>	34,214
<i>Net Position Beginning of Year</i>	168,002
<i>Net Position End of Year</i>	\$ 202,216

See accompanying notes to the basic financial statements.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure the financial statements of the School District 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 Van Wert 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. The School District does not have any component units.

The School District’s reporting entity also includes the following:

Non-Public School - Within the School District’s boundaries, St. Mary of the Assumption is operated as a private school. Current State legislation provides funding to the parochial school. The monies are 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. These organizations are presented in Notes 15 and 16 to the basic financial statements.

These financial statements are presented on a modified 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 modified cash basis of accounting. Following are the more significant of the School District’s accounting policies.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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 and the proprietary fund.

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

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified cash basis of accounting or draws from the general receipts of the School District.

Fund Financial Statements

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

Fund Accounting

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major governmental funds are the General Fund and the Bond Retirement 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 disbursed or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax receipts and transfers from the General Fund to pay principal and interest on the School District's loans and general obligation bonds.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The private purpose trust funds account for college scholarships for students after graduation and to provide aid to needy school children. Agency funds are custodial in nature (assets equal net position) and do not involve measurement or results of operations. The School District's agency funds account for various student-managed and non-instructional staff-related activities.

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net position and financial position. The School District's proprietary fund is classified as an internal service fund. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District has one internal service fund, which accounts for the Van Wert Area Schools Insurance Group (VWASIG). The School District was the fiscal agent and predominant participant for the VWASIG, which is a public entity shared risk pool, during a portion of 2020.

Basis of Accounting

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

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

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

Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level in the General Fund and the function and object level within all other funds are made by the School District Treasurer.

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

Tax Budget

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

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

Appropriation

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level for all other funds.

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

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

Encumbrances

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

Lapsing of Appropriations

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

and Cash Equivalents.” Cash and cash equivalents unique to the Athletics Fund and the Classroom Facilities Construction Fund are presented as segregated cash and cash equivalents. Investments held specifically for one Private Purpose Trust Fund are also reported separately as “investments.” During fiscal year 2020 the School District invested in shares of Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal Farm Credit, certificates of deposit and STAR Ohio.

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

For the fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$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 these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2020 was \$165,765, which includes \$82,353 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.

Employer Contributions to Cost-Sharing Pension Plans

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

Inventory and Prepaid Items

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Capital Assets

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

Compensated Absences

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

Long-Term Obligations

Modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made. Lease proceeds are only reported as other financing sources if cash received is part of a lease-purchase agreement. Lease payments are reported when paid.

Equity Classifications

Government-Wide Statements

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

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2020, there was no net position restricted by enabling legislation.

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

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

Fund Financial Statements

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

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

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

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

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

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

Intergovernmental Receipts

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

Interfund Activity

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

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Notes To The Basic Financial Statements
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Pensions and OPEB

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

Implementation of New Accounting Principles

For the fiscal year ended June 30, 2020, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For the fiscal year ended June 30, 2020, the School District has (to the extent it applies to the cash basis of accounting) early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, GASB Statement No. 92 *Omnibus 2020*, and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the School District.

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

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GASB Statement No. 97 results in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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
8. Certain bankers' acceptance and commercial paper notes in an amount not to exceed 40 percent of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days and two hundred seventy days, respectively.

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

Cash on Hand - At June 30, 2020 the School District had \$5,480 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits - At year-end, \$652,564 of the School District's bank balance of \$1,296,905 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

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

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Segregated Cash - The classroom facilities construction account is maintained separately from the School District's deposits. The athletic department also has a separate account. The carrying amount of these deposits is reported as "Cash and Cash Equivalents in Segregated Accounts."

Investments

As of June 30, 2020 the School District had the following investments:

Rating	Investment	Measurement Amount	Investment Maturities in Months		% Total
			0-12	13-36	
	Net Asset Value:				
AAAm	STAR Ohio	\$ 8,322,571	\$ 8,322,571	\$ 0	93.7%
	Cost:				
AAA	Federal National Mortgage Association	75,054	75,054	0	0.9%
AA+	Federal Home Loan Bank	299,152	200,266	98,886	3.4%
AA+	Federal Farm Credit Bank	48,975	0	48,975	0.6%
AA+	Federal Home Loan Mortgage Corporation	126,231	0	126,231	1.4%
		<u>\$ 8,871,983</u>	<u>\$ 8,597,891</u>	<u>\$ 274,092</u>	<u>100.0%</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code, and places additional limitations with amounts authorized for investment in certain types. The School District has no investment policy dealing with credit risk beyond the requirements of State statute.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2020, is 42 days.

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Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Concentration of Credit Risk - The School District places no limit on the amount of its interim monies it may invest in any one issuer, however State statute limits investments in commercial paper and bankers’ acceptances to forty percent of the interim monies available for investment at any one time. Refer to the table shown on the previous page for percentages of total investments held as of June 30, 2020.

NOTE 4 – PROPERTY TAXES

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

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

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

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

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

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	2019 Second-Half		2020 First-Half	
	Collections		Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 247,243,500	95.05%	\$ 248,898,430	94.38%
Public Utility	12,868,140	4.95%	14,822,010	5.62%
Total	<u>\$ 260,111,640</u>	<u>100.00%</u>	<u>\$ 263,720,440</u>	<u>100.00%</u>
Full Tax Rate per \$1,000 of assessed valuation	\$52.30		\$52.30	

NOTE 5 – INCOME TAXES

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

NOTE 6 – TRANSFERS AND ADVANCES

Transfers

During fiscal year 2020, the School District transferred \$9,340 from the Athletic Department Fund to the Athletic Department Capital Projects Fund to accumulate resources for athletic equipment in accordance with ORC 5705.13(c).

Advances

During fiscal year 2020, the School District advanced \$5,029 from the General Fund to the High Schools that Work Fund to cover expenditures. The advance will be repaid once expected receipts are received.

NOTE 7 – 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 for the following insurance coverage.

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Property and Liability

Coverage provided by Ohio Casualty Insurance Company is as follows:

Building and Contents	\$ 110,036,500
General School District Liability:	
Per Occurrence	1,000,000
Total per Year	2,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Umbrella Liability:	
Per Occurrence	5,000,000
Total per Year	5,000,000

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

Workers Compensation

For fiscal year 2020, the School District participated in the State Workers' Compensation group retrospective rating program and payment system. This program involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured.

CompManagement, Inc. provides administrative, cost control and actuarial services to the group retrospective rating program and rating system. Sheakley UniComp, Inc. is contracted as the workers compensation managed care organization and is responsible for managing the costs related to employee claims as well as tracking employees return to work date.

Unemployment

The School District contracted with Sedgwick, Inc. to manage their state unemployment account, including protesting all contestable claims, auditing benefit charges, providing instruction regarding attendance at hearings, tax rate review and verification, and providing customized reporting and education programs upon request.

Health Care

The School District participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of six members. The School District pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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NOTE 8 – 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 plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension/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.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$456,490 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

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

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June

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30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,538,784 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 independent actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.09581820%	0.08950786%	
Prior Measurement Date	0.09346970%	0.09009555%	
Change in Proportionate Share	0.00234850%	-0.00058769%	
Proportionate Share of the Net Pension Liability	\$ 5,732,971	\$ 19,794,125	\$ 25,527,096

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2035.

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:

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Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 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 investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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 investments was applied to all periods of projected benefits to determine the total pension liability.

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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 School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 8,033,942	\$ 5,732,971	\$ 3,803,319

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	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. 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 investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability as of June 30, 2019, 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 assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 28,926,908	\$ 19,794,125	\$ 12,062,756

NOTE 9 – DEFINED BENEFIT OPEB PLANS

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 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 \$48,911.

Plan Description - State Teachers Retirement System (STRS)

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

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

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:

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	SERS	STRS
Proportion of the Net OPEB Liability (Asset):		
Current Measurement Date	0.09775800%	0.08950800%
Prior Measurement Date	0.09479900%	0.09009600%
Change in Proportionate Share	<u>0.00295900%</u>	<u>-0.00058800%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,458,403	\$ (1,482,467)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity

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General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e., municipal bond rate).

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 and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 2,984,041	\$ 2,458,403	\$ 2,040,468

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 1,969,683	\$ 2,458,403	\$ 3,106,828

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:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.87 percent	4.00 percent
Medicare	4.93 percent	4.00 percent
Prescription Drug		
Pre-Medicare	7.73 percent	4.00 percent
Medicare	9.62 percent	4.00 percent

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

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality

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improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine 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 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 of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,264,991)	\$ (1,482,467)	\$ (1,665,314)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (1,681,050)	\$ (1,482,467)	\$ (1,239,252)

NOTE 10 – OTHER EMPLOYEE BENEFITS

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-five days of vacation per fiscal year, depending upon length of service. Up to five days of unused vacation may be carried forward to the succeeding fiscal year for classified employees. The superintendent, high school principal, and treasurer earn twenty days of vacation per fiscal year and may accumulate up to sixty days. 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 up to a maximum of one hundred ninety-five days for all employees. Upon retirement, payment is made for 25.7 percent of accrued but unused sick leave credit up to a maximum of 50.12 days. Employees who have accumulated 195 days of sick leave may accumulate an additional 25 days to be paid upon retirement. This will result in an overall maximum payment of 75.12 days.

Employee Insurance Benefits

The School District provides medical, dental, and life insurance to most employees through the Van Wert Area Schools Insurance Group.

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NOTE 11 – LONG-TERM OBLIGATIONS

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

	Outstanding 7/1/2019	Additions	Reductions	Outstanding 6/30/2020	Due in One Year
<i>General Obligation Bonds:</i>					
2006 Refunding Bonds					
Capital Appreciations Bonds	\$ 5,000	\$ 0	\$ 0	\$ 5,000	\$ 0
Accretion on Capital Appreciations Bonds	158,455	52,328	0	210,783	0
2016 Refunding Serial Bonds	14,160,000	0	1,005,000	13,155,000	1,040,000
2016 Energy Conservation Refunding	260,000	0	35,000	225,000	35,000
Total General Obligation Bonds	<u>14,583,455</u>	<u>52,328</u>	<u>1,040,000</u>	<u>13,595,783</u>	<u>1,075,000</u>
<i>Direct Borrowings and Placements:</i>					
OASBO School Improvement Loan	1,270,000	0	79,000	1,191,000	83,000
2018 Tax Anticipation Note	300,000	0	60,000	240,000	60,000
2019 Lease-Purchase Agreement	1,278,000	0	68,000	1,210,000	70,000
Total Direct Borrowings and Placements	<u>2,848,000</u>	<u>0</u>	<u>207,000</u>	<u>2,641,000</u>	<u>213,000</u>
Total Governmental Activities					
Long-Term Obligations	<u>\$ 17,431,455</u>	<u>\$ 52,328</u>	<u>\$ 1,247,000</u>	<u>\$ 16,236,783</u>	<u>\$ 1,288,000</u>

2006 School Improvement Refunding Bonds

On November 30, 2006, the School District issued bonds, in the amount of \$9,380,000, to partially refund bonds previously issued in fiscal year 2003 for the construction of a new high school. The refunding bond issue includes serial, term, and capital appreciation bonds, in the original amount of \$6,795,000, \$2,580,000 and \$5,000, respectively. The bonds were issued for a twenty-four year period, at interest rates of 4.00 percent to 4.25 percent with final maturity during fiscal year 2031.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date. These bonds were refunded on September 20, 2016.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2025, in the amount of \$970,000. For fiscal year 2020, \$52,328 was accreted on the capital appreciation bonds, for a total bond value (original principal plus accumulated accretion) of \$210,783 at fiscal year end. These bonds will be retired by the Bond Retirement Fund.

2016 School Improvement Refunding Bonds

On September 20, 2016 the School District issued bonds, in the amount of \$16,390,000, to refund bonds previously issued in fiscal years 2006 and 2007 for the construction of a new high school. The refunding bond issue includes serial bonds, issued for a fifteen year period, at an interest rate of 2.00 to 4.00 percent with final maturity during fiscal year 2031. These refunding bonds were issued with a premium of \$1,502,864. The issuance resulted in a difference between cash flows required to service the old debt and the cash flows required to service the new debt of \$2,331,243. The bonds are being retired through the Bond Retirement Fund.

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The refunding bonds maturing on or after December 1, 2027 are subject to optional redemption prior, in whole or in part on any date in any order maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2026 at par plus accrued interest thereon. At June 30, 2020, a balance of \$14,190,000 was defeased.

2016 Energy Conservation Refunding

On November 9, 2016 the School District issued bonds, in the amount of \$325,000, to refund notes previously issued in fiscal year 2011 for the purpose of providing energy conservation measures for the School District under H.B. 264. The refunding bonds were issued for a ten year period, at an interest rate of 2.35 percent with final maturity during fiscal year 2026. The issuance resulted in a difference between cash flows required to service the old debt and the cash flows required to service the new debt of \$21,576. The bond is being retired through the General Fund. At June 30, 2020, a balance of \$225,000 was defeased.

General obligations bonds are direct obligations of the School District for which its full faith and credit are pledged for repayment. The general obligation bonds will be retired from the General Fund and Bond Retirement Fund.

OASBO School Improvement Loan

On June 29, 2006, the School District obtained a loan, in the amount of \$2,000,000, for the acquisition and construction of school facilities (the Project). The loan has an interest rate of 5.04 percent. The loan was obtained for a twenty-five year period, with final maturity in fiscal year 2031. The loan is being retired through the Permanent Improvement Fund. In the event of default, as defined by the lease agreement, the Lessor has the right to exercise all remedies, including the right to take immediate possession of the Project. The School District will remain liable for outstanding payments and any costs incurred by the Lessor with respect to the enforcement of the remedies.

2018 Tax Anticipation Note

In June of 2018 the School District issued a tax anticipation note, in the amount of \$300,000, for the purpose of general permanent improvements. The note carries an interest rate of 3.4 percent and was issued for a five year period, with a maturity date of December 1, 2023. This note is being retired from the Permanent Improvement Fund.

The School District pledges the proceeds of its continuing permanent improvement levy to repay the note. In the event of default, the bank may exercise any remedy available at law or in equity provided that the note shall not be subject to acceleration.

2019 Lease Purchase

In June, 2019, the School District entered into a lease-purchase agreement for energy improvements for \$1,278,000 at an interest rate of 3.07 percent. The lease term began on June 4, 2019 and ends on June 1, 2034. The School District will make bi-annual lease payments from General Fund.

In the event of a default, Lessor may declare an amount equal to all remaining lease payments in effect when the event of default occurs together with interest be immediately due and payable or request the

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School District to promptly return the asset to the Lessor and/or allow Lessor to disable the asset and take immediate possession of and remove it or sell, lease or otherwise dispose of any assets financed under the leases and demand payment of all out-of-pocket costs and expenses incurred by Lessor as a result of the event of default.

Principal and interest requirements to retire outstanding debt obligations at June 30, 2020 are as follows:

General Obligation Bonds						
Fiscal Year Ending June 30,	Capital Appreciation Bond		Serial Bond		Energy Conservation Refunding	
	Principal	Accretion	Principal	Interest	Principal	Interest
2021	\$ 0	\$ 0	\$ 1,040,000	\$ 425,962	\$ 35,000	\$ 4,876
2022	0	0	1,070,000	394,312	35,000	4,054
2023	0	0	1,100,000	362,700	35,000	3,231
2024	0	0	1,135,000	334,369	40,000	2,350
2025	0	0	1,155,000	298,500	40,000	1,410
2026 - 2030	5,000	965,000	6,095,000	871,700	40,000	470
2031	0	0	1,560,000	23,400	0	0
	\$ 5,000	\$ 965,000	\$ 13,155,000	\$ 2,710,943	\$ 225,000	\$ 16,391

Direct Borrowings and Placements						
Fiscal Year Ending June 30,	School Improvement Loan		Tax Anticipation Note		Lease-Purchase	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 83,000	\$ 60,026	\$ 60,000	\$ 7,014	\$ 70,000	\$ 36,610
2022	87,000	55,843	60,000	5,010	73,000	34,430
2023	92,000	51,458	60,000	3,006	75,000	32,173
2024	97,000	46,822	60,000	1,002	77,000	29,871
2025	102,000	41,933	0	0	80,000	27,476
2026 - 2030	592,000	127,310	0	0	436,000	98,916
2031 - 2034	138,000	6,955	0	0	399,000	28,075
	\$ 1,191,000	\$ 390,347	\$ 240,000	\$ 16,032	\$ 1,210,000	\$ 287,551

NOTE 12 – STATUTORY RESERVES

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

The following cash basis information describes the changes in the fiscal year set aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2020, the restricted activity was as follows:

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	Capital Acquisition
Set Aside Restricted Balance June 30, 2019	\$ 0
Current Year Set Aside Requirement	351,623
Current Year Offsets	(428,949)
Total	\$ (77,326)
Balance Carried Forward to Fiscal Year 2021	\$ 0
Set Aside Restricted Balance June 30, 2020	\$ 0

The School District had offsets during the fiscal year that reduced the capital asset set aside amount below zero. The extra amount may not be used to reduce the set aside requirements of future years as it cannot be carried forward.

NOTE 13 – DONOR RESTRICTED ENDOWMENTS

The School District’s Private Purpose Trust Funds include donor restricted endowments. Endowments, in the amount of \$53,094, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for disbursement by the School District is \$149,122 and is included in “Held in trust for scholarships.” State law permits the School District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year and to aid needy children.

NOTE 14 – FUND BALANCE

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

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

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Instruction Endowment	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Restricted for:				
Permanent Improvement	0	0	414,820	414,820
Classroom Facilities Maintenance	0	0	750,433	750,433
Debt Service	0	1,539,078	0	1,539,078
Support Services	0	0	24,010	24,010
Student Activities	0	0	374,576	374,576
Instruction	0	0	97,589	97,589
Food Service	0	0	101,162	101,162
Total Restricted	0	1,539,078	1,762,590	3,301,668
Committed for:				
Athletic Improvements	0	0	34,340	34,340
Assigned for:				
Instruction	57,227	0	0	57,227
Support Services	307,378	0	0	307,378
Extracurricular	13,980	0	0	13,980
Subsequent Year Appropriations	1,821,997	0	0	1,821,997
Total Assigned	2,200,582	0	0	2,200,582
Unassigned	4,171,392	0	0	4,171,392
Total Fund Balance	\$ 6,371,974	\$ 1,539,078	\$ 1,821,930	\$ 9,732,982

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

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, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties, and the cities of St. Mary’s 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 educational entities within each county. Financial information can be obtained from Northwest Ohio Area Computer Services Cooperative, 4277 East Road, Elida, Ohio 45807.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Vantage Career Center

The Vantage Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

NOTE 16 – INSURANCE POOLS

Ohio School Boards Association Workers’ Compensation Group Rating Plan

The School District participates in a group rating plan (GRP) for worker’s compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Retrospective Rating Program was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

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

Van Wert Area Schools Insurance Group

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of six members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. The Van Wert City School District served as the fiscal agent for VWASIG up until November 1, 2019. Effective November 1, 2019, Lincolnview Local School District was appointed fiscal agent for VWASIG. The School District transferred the cash balance of \$5,279,870 to the fiscal agent on the same day. Financial information from November 1, 2019 and after can be obtained from the Lincolnview Local School District, 15945 Middle Point Road, Van Wert, Ohio 45891.

NOTE 17 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Litigation

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

School District Funding

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE adjustments for fiscal year 2020 were finalized after year-end. The results of the fiscal year 2020 review conducted by ODE did not have a significant impact on the School District’s funding.

NOTE 18 – COMMITMENTS

Encumbrance Commitments

Outstanding encumbrances for governmental funds as of June 30, 2020, include \$378,585 in the General Fund and \$274,487 in nonmajor governmental funds.

NOTE 19 – BUDGETARY BASIS OF ACCOUNTING

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

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

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the modified cash basis for the General Fund are as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Cash basis	\$ 316,618
Funds budgeted elsewhere**	(21,115)
Adjustment for encumbrances	(367,971)
Budget Basis	\$ (72,468)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a modified cash basis. This includes administrative educational funds.

Van Wert City School District
Van Wert County, Ohio
Notes To The Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

NOTE 20 – COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2020, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of modified cash receipts and modified cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

NOTE 21 – 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 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.

NOTE 22 – RESTATEMENT OF NET POSITION

The School District's reporting of its fiscal agent responsibilities related to the Van Wert Area Schools Insurance Group (VWASIG) was previously reported as a fiduciary fund (investment trust fund). For fiscal year 2020, this activity was reported as a proprietary fund (internal service fund). Therefore, net position at June 30, 2019 was restated from \$4,921,324 to \$0 in the investment trust fund and restated from \$0 to \$4,921,324 in the internal service fund.

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VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Federal Revenues	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance	10.555	\$310,425	\$310,425
COVID-19 Cash Assistance	10.555	69,391	69,391
Non-Cash Assistance (Food Distribution)	10.555	73,307	73,307
Total National School Lunch Program		<u>453,123</u>	<u>453,123</u>
School Breakfast Program			
Cash Assistance	10.553	75,180	75,180
COVID-19 Cash Assistance	10.553	33,075	33,075
Total School Breakfast Program		<u>108,255</u>	<u>108,255</u>
Total Child Nutrition Cluster		<u>561,378</u>	<u>561,378</u>
Total U.S. Department of Agriculture		<u>561,378</u>	<u>561,378</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	407,440	407,212
Supporting Effective Instruction State Grants	84.367	65,017	64,263
<u>Special Education Cluster:</u>			
Special Education_Grants to States	84.027	429,908	425,191
Special Education_Preschool Grants	84.173	36,064	37,078
Total Special Education Cluster		<u>465,972</u>	<u>462,269</u>
Student Support and Academic Enrichment Program	84.424	37,546	36,169
<i>Passed Through Ohio Department of Developmental Disabilities</i>			
Special Education - Grants for Infants and Families	84.181	<u>54,718</u>	<u>54,718</u>
Total U.S. Department of Education		<u>1,030,693</u>	<u>1,024,631</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	93.556	16,612	13,868
Stephanie Tubbs Jones Child Welfare Services Program	93.645	<u>2,054</u>	<u>1,714</u>
Total U.S. Department of Health and Human Services		<u>18,666</u>	<u>15,582</u>
Total Revenues and Expenditures of Federal Awards		<u><u>\$1,610,737</u></u>	<u><u>\$1,601,591</u></u>

The accompanying notes are an integral part of this schedule.

**VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF REVENUES AND 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 Revenues and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Van Wert City School District (the School District) 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

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Van Wert City School District
Van Wert County
205 West Crawford Street
Van Wert, Ohio 45891

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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Wert City School District, Van Wert 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 April 27, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles and the School District restated opening net position related to the School District's fiscal agent responsibilities for the Van Wert Area Schools Insurance Group. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the 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 Finding

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

April 27, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

Van Wert City School District
Van Wert County
205 West Crawford Street
Van Wert, Ohio 45891

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Van Wert City School District's (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 Van Wert 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, Van Wert 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

April 27, 2021

VAN WERT CITY SCHOOL DISTRICT
VAN WERT COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020

1. SUMMARY OF AUDITOR'S RESULTS

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

**FINDING NUMBER 2020-001
(Continued)**

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

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

Officials' Response:

The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore, the Board has elected to go with the Other Cash Basis of Accounting Method.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) - reporting on a basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2020-001 in this report.	The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting Method.
2019-002	Material weakness - the net position for the investment trust fiduciary fund was incorrectly classified.	Corrected	

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

Finding Number:	2020-001
Planned Corrective Action:	The School Board has determined that the cost of preparing and auditing financial reports in accordance with GAAP outweighs the benefits; therefore the Board has elected to go with the Other Cash Basis of Accounting method.
Anticipated Completion Date:	N/A
Responsible Contact Person:	Michelle Mawer, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



VAN WERT CITY SCHOOL DISTRICT

VAN WERT 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 5/20/2021

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
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