

DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



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Board of Education
Defiance City School District
801 South Clinton Street
Defiance, Ohio 43512

We have reviewed the *Independent Auditor's Report* of the Defiance City School District, Defiance County, prepared by Julian & Grube, Inc., for the audit period July 1, 2020 to June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 06, 2022

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**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

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Independent Auditor's Report

Defiance City School District
Defiance County
801 South Clinton Street
Defiance, Ohio 43512

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Defiance City School District, Defiance County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Defiance City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Defiance City 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 for the purpose of expressing an opinion on the effectiveness of the Defiance City School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Defiance City School District, Defiance County, Ohio, as of June 30, 2021, and the respective changes in modified cash basis financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

Ohio Administrative Code § 117-2-03(B) requires the Defiance City 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. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As described in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Defiance City School District. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Defiance City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Defiance City School District's basic financial statements. The *management's discussion and analysis* listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021, on our consideration of the Defiance City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Defiance City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Defiance City School District's internal control over financial reporting and compliance.



**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The management's discussion and analysis of the Defiance City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- The total net cash position of the District increased \$413,822 or 2.49% from fiscal year 2020's net cash position.
- General cash receipts accounted for \$45,153,482 or 84.48% of total governmental activities cash receipts. Program specific cash receipts accounted for \$8,294,958 or 15.52% of total governmental activities cash receipts of \$53,448,440.
- The District had \$53,034,618 in cash disbursements related to governmental activities; \$8,294,958 of these cash disbursements were offset by program specific charges for services, grants or contributions. General revenues of \$45,153,482 were sufficient to cover the remaining cash disbursements.
- The District's major fund is the general fund. The general fund had \$29,045,063 in cash receipts and \$28,326,667 in cash disbursements. The general fund's fund cash balance increased \$718,396 from a fund cash balance of \$12,643,052 at June 30, 2020 to a fund cash balance of \$13,361,448 at June 30, 2021.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting.

The Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there is only one major governmental fund, the general fund.

Reporting the District as a Whole

Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis

The Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis answer the question, "How did we do financially during 2021?" These statements include *only net position* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

In the Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The Statement of Net Position – Modified Cash Basis and Statement of Activities – Modified Cash Basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 15-17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The District’s only fiduciary funds are a custodial fund. All of the District’s fiduciary activities are reported in a separate Statement of Changes in Fiduciary Net Position - Modified Cash Basis. These activities are excluded from the District’s other financial statements because the assets cannot be utilized by the District to finance its operations. The District’s fiduciary funds had no activity in fiscal year 2021.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-55 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Position – Modified Cash Basis provides the perspective of the District as a whole. The table below provides a summary of the District’s net cash position at June 30, 2021 and June 30, 2020.

	Net Position - Modified Cash Basis	
	Governmental Activities 2020	Governmental Activities 2020
	<u>2020</u>	<u>2020</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 17,051,784	\$ 16,637,962
Total assets	<u>17,051,784</u>	<u>16,637,962</u>
<u>Net Position</u>		
Restricted	3,115,251	3,271,132
Unrestricted	<u>13,936,533</u>	<u>13,366,830</u>
Total net position	<u>\$ 17,051,784</u>	<u>\$ 16,637,962</u>

The total net position of the District increased \$413,822 which represents a 2.49% increase from fiscal year 2020. A portion of the District’s net position, \$3,115,251, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net position of \$13,936,533 may be used to meet the government’s ongoing obligations to citizens and creditors.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table below shows the changes in net position on the modified cash basis for fiscal year 2021 and 2020.

	Change in Net Position - Modified Cash Basis	
	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 2,202,724	\$ 2,742,153
Operating grants, contributions and interest	6,031,180	4,804,201
Capital grants, contributions and interest	<u>61,054</u>	<u>1,397</u>
Total program receipts	<u>8,294,958</u>	<u>7,547,751</u>
General receipts:		
Property taxes	7,948,752	7,941,361
Income taxes	1,829,782	1,977,509
Grants and entitlements not restricted to specific programs	16,983,590	16,681,619
Receipts from sale of capital assets		-
Receipts in lieu of taxes	108,524	117,453
Proceeds of refunding bonds	16,030,000	-
Premium on refunding bonds	2,145,182	-
Investment earnings	47,797	404,375
Miscellaneous	<u>59,855</u>	<u>36,904</u>
Total general receipts	<u>45,153,482</u>	<u>27,159,221</u>
Total receipts	<u>53,448,440</u>	<u>34,706,972</u>

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**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Change in Net Position - Modified Cash Basis (Continued)

	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 12,955,406	\$ 12,176,113
Special	4,703,933	4,862,192
Vocational	440,299	403,849
Student intervention services	12,799	31,577
Other	3,263,484	3,301,140
Support services:		
Pupil	2,168,119	3,075,303
Instructional staff	673,351	723,447
Board of education	81,414	84,535
Administration	1,704,936	1,819,370
Fiscal	585,100	609,170
Operations and maintenance	2,330,675	2,465,187
Pupil transportation	1,234,135	1,063,207
Central	205,126	188,530
Operation of non instructional services	1,337,112	1,093,638
Extracurricular	1,036,946	1,043,040
Facilities acquisition and construction	227,301	439,818
Debt service	<u>20,074,482</u>	<u>2,148,547</u>
Total cash disbursements	<u>53,034,618</u>	<u>35,528,663</u>
Change in net position	413,822	178,309
Net position at beginning of year	<u>16,637,962</u>	<u>16,459,653</u>
Net position at end of year	<u>\$ 17,051,784</u>	<u>\$ 16,637,962</u>

Governmental Activities

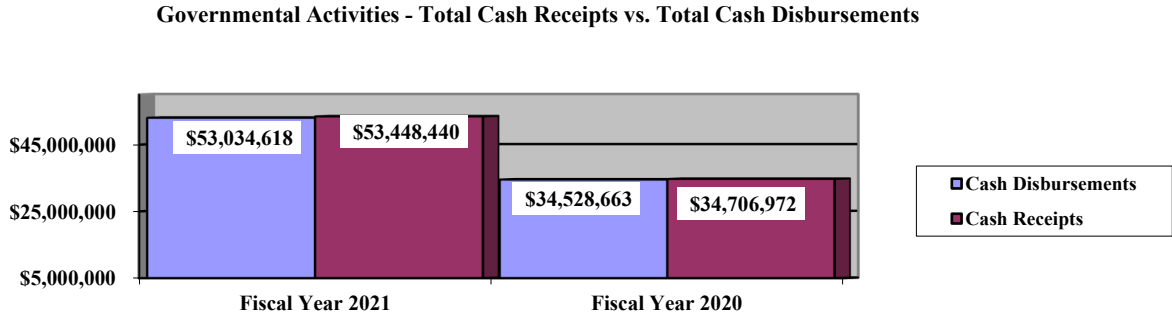
Governmental net position increased by \$413,822 in fiscal year 2021 from fiscal year 2020. Total governmental disbursements of \$53,034,618 were offset by program receipts of \$8,294,958 and general receipts of \$45,153,482. Program receipts supported 15.64% of the total governmental disbursements. The largest governmental disbursement was instructional which totaled \$21,375,921.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 50.27% of total governmental receipts. Real estate property is reappraised every six years. General receipts decreased due to less state foundation funding. Overall, program receipts increased as a result of the District refunding the Series 2014 Various purpose bonds through the issuance of the Series 2020 Refunding General Obligation Bonds.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The graph below presents the District’s governmental activities cash receipts and cash disbursements for fiscal years 2021 and 2020.



The statement of activities – modified cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2021 and 2020. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

Governmental Activities

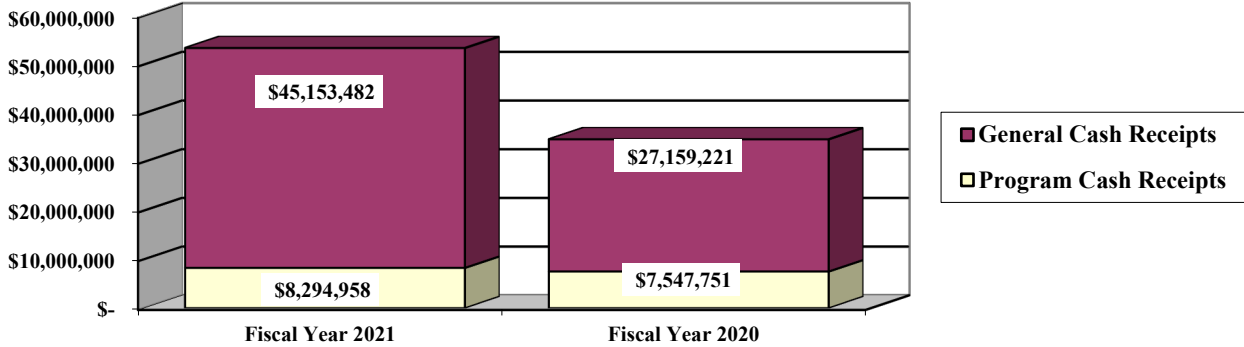
	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Program disbursements				
Instruction:				
Regular	\$ 12,955,406	\$ 10,817,225	\$ 12,176,113	\$ 10,512,398
Special	4,703,933	1,078,315	4,862,192	1,269,128
Vocational	440,299	288,724	403,849	252,274
Student intervention services	12,799	12,799	31,577	31,577
Other	3,263,484	3,263,484	3,301,140	3,301,140
Support services:				
Pupil	2,168,119	1,755,275	2,075,303	1,784,937
Instructional staff	673,351	651,239	723,447	723,199
Board of education	81,414	81,414	84,535	84,535
Administration	1,704,936	1,613,333	1,819,370	1,819,370
Fiscal	585,100	560,636	609,170	609,170
Operations and maintenance	2,330,675	2,314,900	2,465,187	2,367,797
Pupil transportation	1,234,135	988,720	1,063,207	925,766
Central	205,126	195,768	188,530	177,529
Operation of non-instructional services	1,337,112	97,306	1,093,638	(6,544)
Extracurricular activities	1,036,946	718,819	1,043,040	541,668
Facilities acquisition and construction	227,301	227,221	439,818	438,421
Debt service	20,074,482	20,074,482	2,148,547	2,148,547
Total program disbursements	\$ 53,034,618	\$ 44,739,660	\$ 34,528,663	\$ 26,980,912

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The dependence upon general cash receipts for governmental activities is apparent; with only 15.64% of cash disbursements supported through program cash receipts during 2021.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government’s Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

The District’s governmental funds reported a combined fund balance of \$17,051,784, which is \$413,822 more than last year’s total of \$16,637,962. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and June 30, 2020, for all major and nonmajor governmental funds.

<u>Funds</u>	Fund Cash Balance <u>June 30, 2021</u>	Fund Cash Balance <u>June 30, 2020</u>	Increase (decrease)
General	\$ 13,361,448	\$ 12,643,052	\$ 718,396
Other Nonmajor Governmental	<u>3,690,336</u>	<u>3,994,910</u>	<u>(304,574)</u>
Total	<u>\$ 17,051,784</u>	<u>\$ 16,637,962</u>	<u>\$ 413,822</u>

General Fund

The District’s only major fund is the general fund. The general fund had cash receipts of \$29,045,063 and cash disbursements of \$28,326,667 in 2021. The general fund’s fund balance increased \$718,396 or 5.68% from 2020 to 2021 due to reduced spending during the fiscal year.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 8,322,981	\$ 8,436,655	(1.35) %
Tuition and fees	1,883,533	1,998,918	(5.77) %
Receipts in lieu of taxes	108,524	117,453	(7.60) %
Earnings on investments	47,797	404,375	(88.18) %
Extracurricular	39,187	78,915	(50.34) %
Other local revenues	75,630	56,277	34.39 %
Intergovernmental	<u>18,567,411</u>	<u>18,270,288</u>	1.63 %
 Total	 <u>\$ 29,045,063</u>	 <u>\$ 29,362,881</u>	 (1.08) %

Overall, general fund cash receipts remained consistent with prior year, with a decrease of 1.08%. The decrease in tuition and fees of \$115,385 or 5.77% was due to a decrease in special education funding. Lower interest rates on investments resulted in a decrease in earnings on investments. Extracurricular receipts decreased due to less amounts received related to sales, admissions and fees from music, public service and sports related activities as a result of the ongoing pandemic.

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 18,982,753	\$ 19,059,225	(0.40) %
Support services	8,033,057	8,338,210	(3.66) %
Extracurricular	655,280	683,088	(4.07) %
Facilities acquisition and construction	49,313	49,318	(0.01) %
Debt service	<u>606,264</u>	<u>697,784</u>	(13.12)
 Total	 <u>\$ 28,326,667</u>	 <u>\$ 28,827,625</u>	 (1.74) %

Overall disbursements decreased 1.74% from fiscal year 2020. Instruction disbursements decreased \$76,472, or 0.40%, due to decreased special instruction disbursements. Support services disbursements decreased \$305,153, or 3.66%, due to decreased administration disbursements. Debt service expenditures decreased due to the District paying down its debt obligations.

Budgeting Highlights - General Fund

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

For the general fund, final budgetary basis receipts and other financing sources of \$29,877,630 were higher than the original budget estimates of \$29,330,380. Actual cash receipts of \$29,818,523 were lower than final budget estimates by \$59,107.

The final and original budgetary basis disbursements and other financing uses were \$32,364,462 and \$32,075,085, respectively. The actual budgetary basis disbursements and other financing uses of \$29,336,618 were \$3,027,844 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had \$227,301 in facilities acquisition and construction disbursements during fiscal year 2021.

Debt Administration

At June 30, 2021, the District had \$21,540,000 in general obligation bonds, \$1,050,000 in lease purchase obligation, and \$259,615 in capital lease obligations outstanding. Of this total \$1,288,174 is due within one year and \$21,561,441 is due in more than one year. The following table summarizes the obligations outstanding.

	<u>Governmental Activities 2021</u>	<u>Governmental Activities 2020</u>
2014 Various purpose bonds	\$ 985,000	\$ 17,415,000
2015 Refunding bonds	4,745,000	4,785,000
2020 Refunding bonds	15,810,000	-
Lease purchase obligation	1,050,000	1,375,000
Capital lease obligations	<u>259,615</u>	<u>497,213</u>
Total long-term obligations	<u>\$ 22,849,615</u>	<u>\$ 24,072,213</u>

Refer to Note 12 to the basic financial statements for further detail.

Current Financial Related Activities

The District continues to be extremely responsible in spending of the taxpayer dollars and all other funds for the District. The challenges of the ever-changing economy and state funding continue to be a challenge and the District remains a strong service provider to the students of the Defiance area.

The citizens of the Defiance City Schools' community continue to show strong support of the District by passing levies when needed. The District has just completed building a new Middle School/High School in conjunction with OFCC. This complex was co-funded by the state at 71%, leaving only 29% to be paid by the District. The District was sensitive to the need to have two separate wings for the complex and there are separate entrances for grades 6-8 and grades 9-12. The location of the new school brings all students in the District together on one large campus by having a connector road linking the two buildings.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The Superintendent, Treasurer, Administrators, Staff and Board of Education continue to aggressively market the District to local and area students to increase enrollment. The all-day kindergarten services, as well as developmental kindergarten and school-wide programs to help combat the outgoing enrollment, are excellent examples of the hard-working staff. The addition of an outstanding Outdoor Complex will also increase the desire of local students to continue the stellar education they receive at the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the 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 Cheryl Swisher, CFO/Treasurer, Defiance City School District, 801 S. Clinton Street, Defiance, Ohio 43512.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2021

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 17,051,784
Net position:	
Restricted for:	
Capital projects	732,704
Classroom facilities maintenance	694,381
Debt service	1,039,520
State funded programs	55,666
Federally funded programs	34
Food service operations	416,918
Student activities	162,950
Other purposes	13,078
Unrestricted	13,936,533
Total net position	\$ 17,051,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Disbursements	Charges for Services and Sales	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 12,955,406	\$ 1,483,862	\$ 654,319	\$ -	\$ (10,817,225)
Special	4,703,933	399,685	3,225,933	-	(1,078,315)
Vocational	440,299	-	151,575	-	(288,724)
Student intervention services	12,799	-	-	-	(12,799)
Other	3,263,484	-	-	-	(3,263,484)
Support services:					
Pupil	2,168,119	-	412,844	-	(1,755,275)
Instructional staff	673,351	-	22,112	-	(651,239)
Board of education	81,414	-	-	-	(81,414)
Administration	1,704,936	5,569	86,034	-	(1,613,333)
Fiscal	585,100	-	24,464	-	(560,636)
Operations and maintenance	2,330,675	15,775	-	-	(2,314,900)
Pupil transportation	1,234,135	-	184,441	60,974	(988,720)
Central	205,126	3,137	6,221	-	(195,768)
Operation of non-instructional services:					
Food service operations	1,077,021	41,862	972,691	-	(62,468)
Other non-instructional services	260,091	-	225,253	-	(34,838)
Extracurricular activities	1,036,946	252,834	65,293	-	(718,819)
Facilities acquisition and construction	227,301	-	-	80	(227,221)
Debt service:					
Principal retirement	1,222,598	-	-	-	(1,222,598)
Interest and fiscal charges	676,702	-	-	-	(676,702)
Bond issuance costs	234,783	-	-	-	(234,783)
Payment to refunding bond escrow agent	17,940,399	-	-	-	(17,940,399)
Total governmental activities	\$ 53,034,618	\$ 2,202,724	\$ 6,031,180	\$ 61,054	(44,739,660)

General receipts:

Property taxes levied for:	
General purposes	6,493,199
Debt service	1,353,190
Classroom facilities maintenance	102,363
Payments in lieu of taxes	108,524
Income taxes levied for:	
General purposes	1,829,782
Grants and entitlements not restricted to specific programs	
Investment earnings	47,797
Proceeds of refunding bonds	16,030,000
Premium on refunding bonds	2,145,182
Miscellaneous	59,855
Total general receipts	45,153,482
Change in net position	413,822
Net position at beginning of year	16,637,962
Net position at end of year	\$ 17,051,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 13,361,448	\$ 3,690,336	\$ 17,051,784
Fund balances:			
Restricted:			
Debt service	\$ -	\$ 1,039,520	\$ 1,039,520
Capital improvements	-	732,704	732,704
Classroom facilities maintenance	-	694,381	694,381
Food service operations	-	416,918	416,918
Non-public schools	-	25,711	25,711
State funded programs	-	29,955	29,955
Federally funded programs	-	34	34
Extracurricular	-	162,950	162,950
Other purposes	-	13,078	13,078
Committed:			
Capital improvements	-	583,399	583,399
Assigned:			
Student instruction	29,635	-	29,635
Student and staff support	253,498	-	253,498
Extracurricular activities	2,600	-	2,600
Facilities acquisition and construction	17,048	-	17,048
Subsequent year's appropriations	2,120,053	-	2,120,053
School supplies	8,808	-	8,808
Unassigned (deficit)	10,929,806	(8,314)	10,921,492
Total fund balances	\$ 13,361,448	\$ 3,690,336	\$ 17,051,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:			
Property taxes	\$ 6,493,199	\$ 1,455,553	\$ 7,948,752
Income taxes	1,829,782	-	1,829,782
Intergovernmental	18,567,411	4,419,416	22,986,827
Investment earnings	47,797	4,124	51,921
Tuition and fees	1,883,533	-	1,883,533
Extracurricular	39,187	221,840	261,027
Rental income	15,775	527	16,302
Charges for services	6,068	41,862	47,930
Contributions and donations	25,696	82,997	108,693
Payment in lieu of taxes	108,524	-	108,524
Miscellaneous	28,091	1,876	29,967
Total receipts	<u>29,045,063</u>	<u>6,228,195</u>	<u>35,273,258</u>
Disbursements:			
Current:			
Instruction:			
Regular	12,294,319	661,087	12,955,406
Special	2,971,852	1,732,081	4,703,933
Vocational	440,299	-	440,299
Student intervention services	12,799	-	12,799
Other	3,263,484	-	3,263,484
Support services:			
Pupil	1,718,256	449,863	2,168,119
Instructional staff	649,417	23,934	673,351
Board of education	81,414	-	81,414
Administration	1,617,893	87,043	1,704,936
Fiscal	531,510	53,590	585,100
Operations and maintenance	2,134,755	195,920	2,330,675
Pupil transportation	1,100,334	133,801	1,234,135
Central	199,478	5,648	205,126
Operation of non-instructional services:			
Food service operations	-	1,077,021	1,077,021
Other non-instructional services	-	260,091	260,091
Extracurricular activities	655,280	381,666	1,036,946
Facilities acquisition and construction	49,313	177,988	227,301
Debt service:			
Principal retirement	556,936	665,662	1,222,598
Interest and fiscal charges	49,328	627,374	676,702
Bond issuance costs	-	234,783	234,783
Total disbursements	<u>28,326,667</u>	<u>6,767,552</u>	<u>35,094,219</u>
Excess of receipts over (under) disbursements	<u>718,396</u>	<u>(539,357)</u>	<u>179,039</u>
Other financing sources (uses):			
Premium on bonds and notes	-	2,145,182	2,145,182
Proceeds from refunding bonds	-	16,030,000	16,030,000
Payment to refunding bond escrow agent	-	(17,940,399)	(17,940,399)
Total other financing sources (uses)	<u>-</u>	<u>234,783</u>	<u>234,783</u>
Net change in fund balances	718,396	(304,574)	413,822
Fund balances at beginning of year	<u>12,643,052</u>	<u>3,994,910</u>	<u>16,637,962</u>
Fund balances at end of year	<u>\$ 13,361,448</u>	<u>\$ 3,690,336</u>	<u>\$ 17,051,784</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property taxes	\$ 6,510,285	\$ 6,493,198	\$ 6,493,198	\$ -
Income taxes	1,991,920	1,829,782	1,829,782	-
Intergovernmental	17,811,207	18,557,157	18,567,412	10,255
Investment earnings	393,397	130,000	47,712	(82,288)
Tuition and fees	1,889,054	1,816,946	1,822,679	5,733
Rental income	19,498	15,275	15,775	500
Charges for services	6,284	6,068	6,068	-
Contributions and donations	518	2,225	2,225	-
Payment in lieu of taxes	118,308	108,524	108,524	-
Miscellaneous	144,403	335,840	338,933	3,093
Total receipts	<u>28,884,874</u>	<u>29,295,015</u>	<u>29,232,308</u>	<u>(62,707)</u>
Disbursements:				
Current:				
Instruction:				
Regular	14,319,088	12,809,747	12,532,236	277,511
Special	3,682,855	3,167,857	3,008,069	159,788
Vocational	508,714	456,261	447,447	8,814
Student intervention services	36,601	17,755	12,799	4,956
Other	3,176,785	3,283,025	3,271,435	11,590
Support services:				
Pupil	2,034,039	1,957,016	1,737,893	219,123
Instructional staff	872,180	800,599	667,495	133,104
Board of education	88,364	100,465	81,549	18,916
Administration	2,160,563	1,897,512	1,637,703	259,809
Fiscal	653,677	633,404	538,564	94,840
Operations and maintenance	2,443,800	2,616,905	2,316,559	300,346
Pupil transportation	1,112,872	1,449,864	1,269,968	179,896
Central	174,357	214,798	202,165	12,633
Extracurricular activities	741,901	778,787	621,695	157,092
Facilities acquisition and construction	12,423	69,996	66,361	3,635
Debt service:				
Principal	52,367	325,235	325,000	235
Interest and fiscal charges	4,499	29,726	27,921	1,805
Total disbursements	<u>32,075,085</u>	<u>30,608,952</u>	<u>28,764,859</u>	<u>1,844,093</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,190,211)</u>	<u>(1,313,937)</u>	<u>467,449</u>	<u>1,781,386</u>
Other financing sources (uses):				
Refund of prior year's disbursements	31,597	9,457	9,457	-
Transfers in	405,245	566,008	566,008	-
Transfers (out)	-	(1,403,510)	(571,759)	831,751
Advances (out)	-	(352,000)	-	352,000
Sale of assets	8,664	7,150	10,750	3,600
Total other financing sources (uses)	<u>445,506</u>	<u>(1,172,895)</u>	<u>14,456</u>	<u>1,187,351</u>
Net change in fund balance	(2,744,705)	(2,486,832)	481,905	2,968,737
Fund balance at beginning of year	12,314,274	12,314,274	12,314,274	-
Prior year encumbrances appropriated	242,999	242,999	242,999	-
Fund balance at end of year	<u>\$ 9,812,568</u>	<u>\$ 10,070,441</u>	<u>\$ 13,039,178</u>	<u>\$ 2,968,737</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

It is staffed by 128 classified employees and 199 certified teaching personnel who provide services to 2,490 students and other community members. The District currently operates three instructional/support buildings and a preschool in conjunction with the Northwest Education Service Center.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. Based upon the application of these criteria, the District has no component units.

The District’s reporting entity includes non-public schools. Within the District’s boundaries, the Holy Cross Catholic School and St. John Lutheran School are operated as private schools. Current State legislation provides funding to the parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The activity is reflected in a special revenue fund of the District.

The District participates in jointly governed organizations and insurance pools. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Health Plan/OHI, and the Northern Buckeye Health Plan’s Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

The District’s management believes these financial statements present all activities for which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP 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 District’s accounting policies.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The District's major governmental fund is the general 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted to the payment of long-term debt principal, interest and related costs, (b) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (c) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets 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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The District had no trust funds. The District's custodial fund accounts for monies collected by the District for the Ohio High School Athletic Association (OHSAA). During fiscal year 2021, the District's custodial fund had no activity.

C. Basis of Accounting

The District's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the 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. Any such modifications made by the District are described in the appropriate section in this note.

The District also reports long-term investments as assets, with some valued at cost and some at fair value. See Note 2.E. for further detail.

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 expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. The District reports investments at fair value rather than cost.

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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. All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the 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.

The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the Treasurer. Although, the legal level of budgetary control is at the fund level, the District has elected to present the budgetary statement comparison at the fund and function level of expenditures.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2020 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

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 of Education during the fiscal year.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

E. Cash and Investments

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

During fiscal year 2021, investments were limited to negotiable certificates of deposit (negotiable CD's), Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Home Loan Bank (FHLB) securities, U.S. government money market mutual funds, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Under the District's modified cash basis of accounting, the District reports negotiable CD's, FHLMC securities, FHLB securities, and U.S. government money market mutual funds at fair value which is based on quoted market prices. STAR Ohio is reported at net asset value.

In fiscal year 2021, the 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 District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2021, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Total interest receipts credited to the general fund during fiscal year 2021 was \$47,797, which includes \$2,045 assigned from other funds.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the 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.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

F. Capital Assets

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

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

Certain 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 District.

I. Interfund Receivable/Payable

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements.

J. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

K. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid. The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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.

O. Net Position

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

P. Fund Balance

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

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

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or 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 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 has, by resolution, authorized the Treasurer to assign fund balances for encumbrances outstanding at year-end and subsequent appropriations.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2021, the District has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

B. Compliance

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2021 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Elementary and secondary school emergency relief	\$ 7,675
IDEA Part B	639

The general fund is liable for any deficit in these funds and provides transfers and/or advances when cash is required.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile to modified cash basis statements to the budget basis statements for the general fund.

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 481,905
Funds budgeted elsewhere**	(10,601)
Adjustment for encumbrances	<u>247,092</u>
Modified cash basis	<u>\$ 718,396</u>

** The uniform school supplies fund, public school support fund and district agency fund are legally budgeted as a separate special revenue funds; however, they are considered part of the general fund for financial reporting purposes.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, in an amount not to exceed forty percent of the interim monies available for investment at any one time.

Protection of the 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.

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

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At June 30, 2021, the District had \$4,400 in undeposited cash on hand, which is included on the financial statements of the District as part of "Equity in Pooled Cash and Investments".

B. Deposits

At June 30, 2021, the carrying amount of all District deposits was \$5,197,798 and the bank balance of all District deposits was \$5,508,805. Of the bank balance, \$5,508,805 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2021, certain District financial institutions were approved for a collateral rate of 102 percent or 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2021, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>Investments Maturities</u>	
		<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>
<i>Fair Value:</i>			
Negotiable CD's	\$ 3,836,473	\$ 683,217	\$ 3,153,256
FHLMC	722,925	-	722,925
FHLB	300,012	-	300,012
U.S. government money market mutual funds	14,232	14,232	-
<i>Net Asset Value:</i>			
STAR Ohio	<u>6,975,944</u>	<u>6,975,944</u>	<u>-</u>
Total	<u>\$ 11,849,586</u>	<u>\$ 7,673,393</u>	<u>\$ 4,176,193</u>

The weighted average maturity of investments is 0.92 years.

D. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP as applied to the District's modified cash basis of accounting. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

The District's investments in U.S. government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in FHLMC securities, and FHLB securities, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

E. Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchase of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

F. Credit Risk

The FHLMC and FHLB securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. government money market mutual fund and STAR Ohio a AAAm money market rating. The negotiable CD's were not rated but are fully insured by the FDIC. The District has no investment policy that would further limit its investment choices.

G. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in FHLMC and FHLB securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent in the District's name. The District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

H. Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 40% of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the District at June 30, 2021:

Measurement/ Investment type	Measurement Value	% of Total
<i>Fair Value:</i>		
Negotiable CD's	\$ 3,836,473	32.38
FHLMC	722,925	6.10
FHLB	300,012	2.53
U.S. government money market mutual funds	14,232	0.12
<i>Net Asset Value:</i>		
STAR Ohio	<u>6,975,944</u>	<u>58.87</u>
Total	<u>\$ 11,849,586</u>	<u>100.00</u>

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

I. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 5,197,798
Investments	11,849,586
Cash on hand	<u>4,400</u>
Total	<u>\$ 17,051,784</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 17,051,784</u>

NOTE 6 - INCOME TAXES

The District levies a voted tax of 0.5% for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 area served by the District. Real property tax revenues received in calendar year 2021 represent the collection calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2021 were levied after April 1, 2020, on the assessed values as of December 31, 2019, the lien date. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Defiance and Paulding Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values upon which fiscal year 2021 taxes were collected are:

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 246,586,340	93.25	\$ 266,231,510	93.40
Public utility personal	<u>17,855,080</u>	<u>6.75</u>	<u>18,815,750</u>	<u>6.60</u>
Total	<u>\$ 264,441,420</u>	<u>100.00</u>	<u>\$ 285,047,260</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.65		\$48.70	

NOTE 8 - RISK MANAGEMENT

A. Employee Insurance Benefits Program

The District participates in the Optimal Health Initiative Consortium (OHI), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the OHI for the benefits offered to its employees including medical, dental, vision, and life insurance. The OHI is responsible for the management and operations of the Program. The agreement for the program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

B. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan, Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (The Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 8 - RISK MANAGEMENT - (Continued)

C. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted for the following insurance coverage:

	Amount of Coverage
The Liberty Mutual Insurance Company:	
General Liability	
Per Occurrence	\$ 1,000,000
Total per Year	2,000,000
Umbrella Liability	
Per Occurrence	10,000,000
Total per Year	10,000,000
Building and contents	126,476,720
The Liberty Mutual Insurance Company:	
Vehicle liability	1,000,000
Uninsured/Underinsured motorist	1,000,000

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.

NOTE 9 - 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) represent the District’s proportionate share of each pension/OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan’s fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$519,957 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS, 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 website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the 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 and after termination of employment.

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,878,963 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.10410880%	0.11134214%	
Proportion of the net pension liability current measurement date	<u>0.10930830%</u>	<u>0.11087017%</u>	
Change in proportionate share	<u>0.00519950%</u>	<u>-0.00047197%</u>	
Proportionate share of the net pension liability	\$ 7,229,881	\$ 26,826,636	\$ 34,056,517

Actuarial Assumptions - SERS

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

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2020, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investment expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	Current		
	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 9,904,055	\$ 7,229,881	\$ 4,986,199

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2020
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the June 30, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
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 %	

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 38,196,460	\$ 26,826,636	\$ 17,191,658

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 9 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment 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 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$70,943.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$70,943 for fiscal year 2021.

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% of covered payroll. For the fiscal year ended June 30, 2021, 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, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.10695030%	0.11134214%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.11307040%</u>	<u>0.11087017%</u>	
Change in proportionate share	<u>0.00612010%</u>	<u>-0.00047197%</u>	
Proportionate share of the net OPEB liability	\$ 2,457,390	\$ -	\$ 2,457,390
Proportionate share of the net OPEB asset	\$ -	\$ 1,948,542	\$ 1,948,542

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.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45%
Prior measurement date	3.13%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63%
Prior measurement date	3.22%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

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

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

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

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 3,007,784	\$ 2,457,390

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 1,935,008	\$ 2,457,390

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

	June 30, 2020		June 30, 2019	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.87%	4.00%
Medicare	-6.69%	4.00%	4.93%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	7.73%	4.00%
Medicare	11.87%	4.00%	9.62%	4.00%

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2019.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
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>	

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, 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%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,695,358	\$ 1,948,542	\$ 2,163,359

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 2,150,024	\$ 1,948,542	\$ 1,703,106

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits, is derived from negotiated agreements and State Laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Unused vacation time can be carried forward with special permission and is limited to one year's accumulation. 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 two hundred fifty-six days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-nine days for all employees.

Health Care Benefits

The District provides medical, dental, vision, and life insurance to most employees through the Optimal Health Initiative Consortium Insurance Benefits Program.

NOTE 12 - LONG-TERM OBLIGATIONS

A. Changes in the District's long-term obligations during fiscal year 2021 were as follows:

	Restated Balance			Balance	Amounts
	Outstanding	Additions	Reductions	Outstanding	Due in
	06/30/20			06/30/21	One Year
Governmental activities:					
2014 Various Purpose Bonds					
Serial Bonds - 1.5 - 5.0%	\$ 7,185,000	\$ -	\$ (6,200,000)	\$ 985,000	\$ 475,000
Term Bonds - 5.0%	3,595,000	-	(3,595,000)	-	-
Term Bonds - 5.0%	6,635,000	-	(6,635,000)	-	-
2015 Refunding Bonds					
Serial Bonds - 1.0 - 4.0%	3,995,000	-	(40,000)	3,955,000	45,000
Term Bonds - 3.25%	615,000	-	-	615,000	-
Capital Appreciation Bonds - 8.90%	175,000	-	-	175,000	-
Interest Accretion	100,862	25,094	-	125,956	-
2020 Refunding bonds					
Serial Bonds - 4.0%	-	1,670,000	-	1,670,000	-
Term Bonds - 2.07 - 4.0%	-	13,930,000	(220,000)	13,710,000	230,000
Capital Appreciation Bonds - 2.32 - 24.40%	-	430,000	-	430,000	-
Interest Accretion	-	95,038	-	95,038	-
Lease purchase obligation	1,375,000	-	(325,000)	1,050,000	335,000
Capital lease obligations	497,213	-	(237,598)	259,615	203,174
Total long-term obligations	<u>\$ 24,173,075</u>	<u>\$ 16,150,132</u>	<u>\$ (17,252,598)</u>	<u>\$ 23,070,609</u>	<u>\$ 1,288,174</u>

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

2014 Various Purpose Bonds

On August 28, 2014, the District issued \$19,005,000 in voted general obligation bonds for constructing, improving, making additions to school buildings and related site development, and retiring bonds previously issued for such purposes. The bond issue included serial and term bonds in the amounts of \$8,775,000 and \$10,230,000, respectively. The bonds are being retired with a voted property tax levy from the debt service fund (a nonmajor governmental fund). On July 16, 2020, \$5,800,000 of the remaining serial bonds and \$10,230,000 of the term bonds was refunded through the issuance of the Series 2020 Taxable Refunding Bonds.

The remaining serial bonds will mature on December 1, 2022. The remaining principal amount to be redeemed as of June 30, 2021, is \$985,000. The serial bonds are not subject to redemption prior to maturity.

2015 Refunding Bonds

On May 11, 2015, the District issued \$4,990,000 in voted general obligation bonds for retiring bonds previously issued. The bond issued included serial, capital appreciation and term bonds in the amounts of \$4,200,000, \$175,000 and \$615,000, respectively. The bonds are being retired with a voted property tax levy from the debt service fund (a nonmajor governmental fund)

The serial bonds were issued for a nineteen-fiscal year period with final maturity on December 1, 2033. The remaining principal amount to be redeemed as of June 30, 2021, is \$3,955,000. The serial bonds are not subject to redemption prior to maturity.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2023	\$ 45,000
2024	45,000
2025	50,000
2026	<u>475,000</u>
Total	<u>\$ 615,000</u>

The capital appreciation bonds will mature December 1, 2027. Interest on the bonds will accrue from the date of delivery until maturity at the stated interest. Interest on the capital appreciation bonds will compound semiannually but will be payable only at maturity.

2020 Refunding Bonds

On July 16, 2020, the District issued general obligation bonds (Series 2020 Refunding Bonds) to refund the callable portion of the Series 2014 Various Purpose Bonds (principal \$16,030,000; interest rate of 1.50% to 5.00%). Issuance proceeds of \$17,940,399 were used to purchase securities which were placed in an irrevocable trust to provide resources for the debt service payment due on December 1, 2020 when the refunded debt was called.

The refunding issue is comprised of serial, capital appreciation and term bonds, par value \$1,670,000, \$430,000 and \$13,930,000, respectively. Payments of principal and interest relating to the Series 2020 refunding bonds are recorded as disbursements in the bond retirement fund (a nonmajor governmental fund). Payments are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2046.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The serial bonds were issued for a five year period with final maturity on December 1, 2025. The remaining principal amount to be redeemed as of June 30, 2021, is \$1,670,000. The serial bonds are not subject to redemption prior to maturity.

The term bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2022	230,000
Total	\$ 230,000

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2023	240,000
2024	720,000
Total	\$ 960,000

The term bonds maturing on December 1, 2032 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2032	590,000
2033	605,000
Total	\$ 1,195,000

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

The term bonds maturing on December 1, 2035 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2034	650,000
2035	670,000
2036	<u>690,000</u>
Total	<u>\$ 2,010,000</u>

The term bonds maturing on December 1, 2040 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2037	\$ 750,000
2038	775,000
2039	800,000
2040	785,000
2041	<u>810,000</u>
Total	<u>\$ 3,920,000</u>

The term bonds maturing on December 1, 2046 are subject to mandatory sinking fund redemption at redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of the redemption, on December 1 of each year as follows:

<u>Year</u>	<u>Mandatory Sinking Fund Requirement</u>
2042	\$ 835,000
2043	860,000
2044	885,000
2045	910,000
2046	940,000
2047	<u>965,000</u>
Total	<u>\$ 5,395,000</u>

The capital appreciation bonds will mature December 1, 2030. Interest on the bonds will accrue from the date of delivery until maturity at the stated interest. Interest on the capital appreciation bonds will compound semiannually but will be payables only at maturity.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Lease Purchase Obligation

On March 24, 2016, the District entered into a \$2,500,000 lease purchase private placement obligation with State Bank and Trust Company to provide for the construction, enlarging, improving, furnishing, and equipping of school athletic facilities. The lease purchase obligation matures on December 1, 2023 and carries an interest rate of 2.45%. Principal and interest payments are due June 1 and December 1 through maturity. The constructed facilities are pledged as collateral for the lease purchase obligation. Principal and interest payments in fiscal year 2021 were \$325,000 and \$29,707, respectively. The lease purchase obligation is being retired from the general fund.

Capital Lease Obligations

See Note 17 for further information on the District's capital lease obligations.

B. Future Debt Service Requirements

Principal and interest requirements to retire long-term obligations outstanding at fiscal year-end are as follows:

Fiscal Year Ending June 30,	Serial & Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 750,000	\$ 658,657	\$ 1,408,657	\$ -	\$ -	\$ -
2023	800,000	623,682	1,423,682	-	-	-
2024	765,000	590,502	1,355,502	-	-	-
2025	860,000	558,338	1,418,338	-	-	-
2026	905,000	523,395	1,428,395	-	-	-
2027 - 2031	2,205,000	2,370,444	4,575,444	605,000	2,675,000	3,280,000
2032 - 2036	5,335,000	1,684,500	7,019,500	-	-	-
2037 - 2041	3,920,000	1,088,397	5,008,397	-	-	-
2042 - 2046	4,430,000	485,285	4,915,285	-	-	-
2047	965,000	14,489	979,489	-	-	-
Total	\$ 20,935,000	\$ 8,597,689	\$ 29,532,689	\$ 605,000	\$ 2,675,000	\$ 3,280,000

Fiscal Year Ending June 30,	Lease Purchase Obligation		
	Principal	Interest	Total
2022	\$ 335,000	\$ 21,621	\$ 356,621
2023	350,000	13,230	363,230
2024	365,000	4,471	369,471
Total	\$ 1,050,000	\$ 39,322	\$ 1,089,322

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of \$5,153,773 (including available funds of \$1,039,520) and an unvoted debt margin of \$285,047.

NOTE 13 - SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 years.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	445,844
Current year offsets	<u>(445,844)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u>\$ -</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (“NWOCA”), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, and Williams Counties. 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.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2021, the District paid \$230,776 to NWOCA for various services. Financial information can be obtained from Tammy Butler, who serves as Treasurer, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the "NBEC") was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center – one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city Districts; one representative from each of the exempted village Districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NWOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NWOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

NOTE 15 - GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program. NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Rev. Code Section 9.833. NBHP is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBHP is governed by OHI and its participating members.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 15 - GROUP PURCHASING POOLS - (Continued)

The District contributed a total of \$3,695,302 to Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

B. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (WCGRP) is an insurance purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBH has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial cost control, claims, and safety consulting services and unemployment claims services for program participants

NOTE 16 - CONTINGENCIES

A. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2021 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 17 - LEASES

In January 2018, the District entered into a capital lease agreement with U.S. Bank Equipment Finance for the acquisition of copier equipment. The lease is for a term of five years and matures December 2022. This lease is being retired from the general fund.

In April 2018, the District entered into a capital lease agreement with TCF Financing for the acquisition of school buses. The lease is for a term of four years and matured April 2021. This lease was retired from the general fund. In February 2019, the District entered into an additional capital lease agreement with TCF Financing for the acquisition of school buses. The lease is for a term of four years and matures March 2022. This lease is being retired from the general fund.

In January 2019, the District entered into a capital lease agreement with U.S. Bank Equipment Finance for the acquisition of copier equipment. The lease is for a term of five years and matures December 2023. This lease is being retired from the general fund, from the food service fund (a nonmajor governmental fund) and from the district managed student activities fund (a nonmajor governmental fund).

In July 2019, the District entered into a capital lease agreement with Hewlett-Packard Financial Services for the acquisition of Chrome Books. The lease is for a term of three years and matures November 2021. This lease is being retired from the general fund.

Certain lease payments have been reclassified and are reflected as debt service disbursements in the financial statements for the governmental funds.

Lease principal payments in fiscal year 2021, by fund, follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 231,936
Nonmajor governmental funds	
Food Service fund	3,850
District Managed Student Activities	<u>1,812</u>
Total	<u>\$ 237,598</u>

The following is a schedule of the future minimum lease payments required under the District's capital lease agreements and present value of the future minimum lease payments as of June 30, 2021.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 214,171
2023	45,056
2024	<u>13,177</u>
Total Minimum lease payments	272,404
Less: amount representing interest	<u>(12,789)</u>
Total	<u>\$ 259,615</u>

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 18 - DEFIANCE CITY SCHOOLS FOUNDATION

The Defiance City School Foundation (the “Foundation”) is a non-profit organization established to solicit funds from the general public to maintain, develop, increase, and extend the facilities and services of the Defiance City School. It also provides educational service opportunities to its students, staff, and faculty. The Foundation is governed by a Board of Trustees which is appointed by the Board of Education. The Board of Trustees possess its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. In 2021, the Foundation contributed \$18,207 to the District for miscellaneous grant reimbursements.

NOTE 19 - COMMITMENTS

Encumbrances

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund cash balance. At fiscal year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 254,010
Nonmajor governmental funds	<u>183,337</u>
Total	<u>\$ 437,347</u>

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments have entered into property tax abatement agreements with property owners under Enterprise Zone Agreements (“EZAs”) and the Ohio Community Reinvestment Area (“CRA”) program within taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments have designated areas to encourage revitalization of the existing housing stock and the development of new structures.

The District has incurred a reduction in property tax receipts due to agreements entered into by other governments. During fiscal year 2021, the District’s property tax receipts were reduced under agreements entered into by other governments as follows:

<u>Government Entering Into Agreement</u>	<u>Tax Abatement Program</u>		<u>District Taxes Foregone</u>
	<u>CRA</u>	<u>Ezone</u>	
Defiance County	\$ -	\$ 101,998	\$ 101,998
City of Defiance	<u>24,439</u>	<u>-</u>	<u>24,439</u>
Total	<u>\$ 24,439</u>	<u>\$ 101,998</u>	<u>\$ 126,437</u>

The District received \$54,262 in compensation payments for the forgone property taxes.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE 21 - COVID-19

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

NOTE 22 - SUBSEQUENT EVENTS

For fiscal year 2022, District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship and open enrollment funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported \$2,606,302 in revenue and expenditures/expense related to these programs. Also, during fiscal year 2021, the District reported \$1,339,892 in tuition and fees from resident districts which will be directly funded to the District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each District. The District's state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

On July 16, 2021, the District paid the remaining balance of the Lease Purchase Obligation.

SUPPLEMENTARY INFORMATION

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER/ ADDITIONAL AWARD IDENTIFICATION	TOTAL EXPENDITURES OF FEDERAL AWARDS
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2021	\$ 177,283
COVID-19 - School Breakfast Program	10.553	COVID-19, 2021	23,050
Total School Breakfast Program			200,333
National School Lunch Program	10.555	2021	670,839
COVID-19 - National School Lunch Program	10.555	COVID-19, 2021	86,900
National School Lunch Program - Food Donation	10.555	2021	99,161
Total National School Lunch Program			856,900
Total U.S. Department of Agriculture and Child Nutrition Cluster			1,057,233
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through the Ohio Department of Education</i>			
COVID-19 - Coronavirus Relief Fund - BroadbandOhio Connectivity	21.019	COVID-19, 2021	16,977
COVID-19 - Coronavirus Relief Fund - Rural and Small Town School District	21.019	COVID-19, 2021	135,740
Total U.S. Department of Treasury and Coronavirus Relief Fund			152,717
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
<i>Passed Through the State Library of Ohio</i>			
COVID-19 - Library Services and Technology Act (LSTA)	45.310	COVID-19, CARES-VIII-183-21	3,000
Library Services and Technology Act (LSTA)	45.310	VIII-39-21	2,000
Total The Institute of Museum and Library Services and Library Services and Technology Act			5,000
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2020	75,063
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2021	416,876
Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	84.010A, 2021	6,180
Title I Grants to Local Educational Agencies - Supplemental School Improvement	84.010A	84.010A, 2021	9,016
Total Title I Grants to Local Educational Agencies			507,135
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	2020	2,403
Special Education-Grants to States (IDEA, Part B)	84.027A	84.027A, 2021	482,492
Total Special Education Cluster and Special Education Grants to States			484,895
Twenty-First Century Community Learning Centers	84.287	2020	58,475
Twenty-First Century Community Learning Centers	84.287A	84.287A, 2021	129,014
Total Twenty-First Century Community Learning Centers			187,489
Supporting Effective Instruction State Grants	84.367	2020	11,648
Supporting Effective Instruction State Grants	84.367A	84.367A, 2021	69,797
Total Supporting Effective Instruction State Grants			81,445
Student Support and Academic Enrichment Program	84.424A	84.424A, 2021	44,000
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	COVID-19, 84.425D, 2021	377,934
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2022	284,337
Total Education Stabilization Fund (ESF)			662,271
Total U.S. Department of Education			1,967,235
Total Expenditures of Federal Awards			\$ 3,182,185

The accompanying notes are an integral part of this schedule.

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Defiance City School District under programs of the federal government for the fiscal year ended June 30, 2021 and is prepared in accordance with the cash basis of accounting. 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 Defiance City School District, it is not intended to and does not present the financial position, or changes in net position of the Defiance City School District. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 - DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Defiance City School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - CHILD NUTRITION CLUSTER

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

NOTE 4 - FOOD DONATION PROGRAM

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

NOTE 5 - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education’s consent, schools can transfer unobligated amounts to the subsequent fiscal year’s program. The District transferred the following amounts from 2021 to 2022 programs:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies	84.010A/84.010A	\$ 1,444
Special Education - Grants to States	84.027A/84.027A	\$ 3

NOTE 6 – PASS THROUGH FUNDS

The Defiance City School District was awarded federal program allocations to be administered on their behalf by an area Educational Service Center (ESC). For 2021, the Defiance City School District’s allocations are as follows:

<u>Program Title</u>	<u>Amount</u>
Special Education - Preschool Grants (ALN 84.173A, Northwest Ohio ESC)	\$ 20,693
English Language Acquisition State Grants (ALN 84.365A, Northwest Ohio ESC)	\$ 1,912

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

Defiance City School District
Defiance County
801 South Clinton Street
Defiance, Ohio 43512

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Defiance City School District, Defiance County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Defiance City School District's basic financial statements, and have issued our report thereon dated November 9, 2021, wherein we noted the Defiance City School District uses a special purpose framework other than accounting principles generally accepted in the United States of America. Also, we noted, as described Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Defiance City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-001.

Defiance City School District's Response to Finding

Defiance City School District's response to the finding identified in our audit is described in the accompanying corrective action plan. Defiance City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
November 9, 2021

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Defiance City School District
Defiance County
801 South Clinton Street
Defiance, Ohio 43512

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Defiance City School District's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Defiance City School District's major federal programs for the fiscal year ended June 30, 2021. The Defiance City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance 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 express an opinion on compliance for each of the Defiance City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Defiance City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Defiance City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Defiance City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Defiance City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Defiance City 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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.

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



Julian & Grube, Inc.
November 9, 2021

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster COVID-19 - Elementary and Secondary School Emergency Relief Fund, ALN 84.425D
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2CFR § 200.520?</i>	No

**DEFIANCE CITY SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2021-001

Noncompliance

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

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

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

DEFIANCE CITY SCHOOLS

801 S. Clinton St
Defiance, Ohio 43512
Phone 419-782-0070
Fax 419-782-4395

BOARD OF EDUCATION

Mrs. Christine Oberlin
Member
Mr. Garry Rodenberger
Member
Mrs. Cheryl Swisher
CFO/Treasurer

Mr. Robert Morton
Superintendent

BOARD OF EDUCATION

Mr. Wesley C. Moats
President
Mrs. Cathy Davis
Member
Mr. Michael Wahl
Vice President

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2021**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2020-001	2007	<u>Noncompliance</u> - Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the District to prepare its annual financial report in accordance with GAAP, however, the District prepared its annual financial report with the modified cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	Not Corrected	Repeated as finding 2021-001 as the District prepared its financial report on the modified cash basis of accounting.

DEFIANCE CITY SCHOOLS

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 President
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 Vice President

CORRECTIVE ACTION PLAN
2 CFR 200.511(c)
JUNE 30, 2021

<u>Finding Number</u>	<u>Planned Corrective Action</u>	<u>Anticipated Completion Date</u>	<u>Responsible Contact Person</u>
2021-001	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.	N/A	Cheryl Swisher, CFO/Treasurer

OHIO AUDITOR OF STATE KEITH FABER



DEFIANCE CITY SCHOOL DISTRICT

DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 1/18/2022

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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