



OHIO AUDITOR OF STATE  
**KEITH FABER**





**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
JUNE 30, 2021**

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Garaway Local School District  
Tuscarawas County  
146 Dover Road, NW  
Sugarcreek, Ohio 44681

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-Employment Benefit Liabilities and Assets and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2022

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

- Net position of governmental activities increased \$2,771,276 which represents a 287.21% increase from 2020's net position (as restated – See Note 3).
- General revenues accounted for \$13,429,943 in revenue or 77.99% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,790,099 or 22.01% of total revenues of \$17,220,042.
- The District had \$14,448,766 in expenses related to governmental activities; \$3,790,099 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,429,943 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$14,889,609 in revenues and \$12,174,052 in expenditures and other financing uses. During fiscal year 2021, the general fund's fund balance increased \$2,715,557 from a fund balance of \$7,956,217 to a fund balance of \$10,671,774.

**Using these Basic Financial Statements**

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term 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, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 13. 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 only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* 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 financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District's fiduciary activities account for collections and disbursements for the East District Athletic Board and the Inter Valley Conference which are reported in a custodial fund. This activity is excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District did not have any fiduciary balances or activities in fiscal year 2021.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-66 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 68-85 of this report.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2021 and June 30, 2020. Capital assets balances and net position for 2020 have been restated as described in Note 3.

	<b>Net Position</b>	
	Governmental Activities 2021	Restated Governmental Activities 2020
<b><u>Assets</u></b>		
Current and other assets	\$ 22,439,609	\$ 19,055,930
Capital assets, net	<u>5,312,431</u>	<u>5,259,759</u>
Total assets	<u>27,752,040</u>	<u>24,315,689</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,312,033	2,295,549
OPEB	<u>347,669</u>	<u>243,208</u>
Total deferred outflows of resources	<u>2,659,702</u>	<u>2,538,757</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,897,077	1,877,025
Long-term liabilities:		
Due within one year	170,993	104,107
Due in more than one year:		
Net pension liability	13,787,315	12,781,703
Net OPEB liability	1,098,580	1,261,896
Other amounts	<u>676,286</u>	<u>802,395</u>
Total liabilities	<u>17,630,251</u>	<u>16,827,126</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	7,182,210	6,939,464
Pension	347,425	804,656
OPEB	<u>1,515,700</u>	<u>1,318,320</u>
Total deferred inflows of resources	<u>9,045,335</u>	<u>9,062,440</u>
<b><u>Net Position</u></b>		
Investment in capital assets	5,312,431	5,259,759
Restricted	596,007	570,113
Unrestricted (deficit)	<u>(2,172,282)</u>	<u>(4,864,992)</u>
Total net position (deficit)	<u>\$ 3,736,156</u>	<u>\$ 964,880</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The District has adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2021, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$3,736,156.

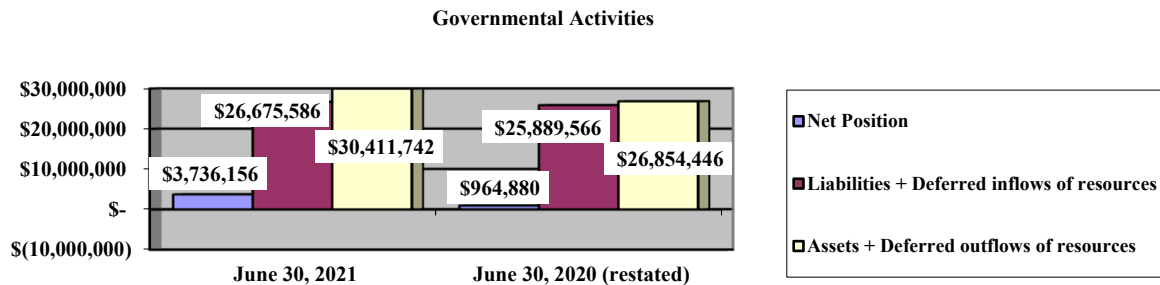
Current and other assets increased primarily in the area of cash and cash equivalents due to operations and in property taxes receivable due to the passage of a 10 year, four-mill operating levy which was approved by the voters on May 8, 2019.

At year-end, capital assets represented 19.14% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. Investment in capital assets at June 30, 2021, was \$5,312,431. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. The District reported no debt at June 30, 2021.

Long-term liabilities increased primarily due to an increase in the District's net pension liability. The District's net pension liability and net OPEB liability are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold, and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$596,007, represents resources that are subject to external restriction on how they may be used. The District's remaining balance of unrestricted net position is a deficit of \$2,172,282.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2021 and June 30, 2020. Balances at June 30, 2020 have been restated as described in Note 3.



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The table below shows the change in net position for fiscal years 2021 and 2020.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,408,962	\$ 1,792,612
Operating grants and contributions	2,381,137	1,749,640
General revenues:		
Property taxes	8,501,219	8,008,593
Payments in lieu of taxes	27,773	-
Grants and entitlements	4,627,637	4,447,095
Investment earnings	209,791	129,306
Other	<u>63,523</u>	<u>92,744</u>
Total revenues	<u>\$ 17,220,042</u>	<u>\$ 16,219,990</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	6,200,775	6,366,018
Special	2,121,116	2,257,288
Vocational	2,025	21,036
Other	311,122	289,477
Support services:		
Pupil	622,151	547,578
Instructional staff	274,775	291,547
Board of education	17,377	16,873
Administration	1,137,451	1,134,300
Fiscal	518,345	510,447
Business	31,157	-
Operations and maintenance	1,127,609	1,109,914
Pupil transportation	951,532	999,684
Central	111,555	55,918
Operation of non-instructional services:		
Food service operations	468,910	450,371
Other non-instructional services	9,744	-
Extracurricular activities	<u>543,122</u>	<u>559,606</u>
Total expenses	<u>14,448,766</u>	<u>14,610,057</u>
Change in net position	2,771,276	1,609,933
Net position (deficit) at beginning of year (restated)	<u>964,880</u>	N/A
Net position at end of year	<u>\$ 3,736,156</u>	<u>\$ 964,880</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

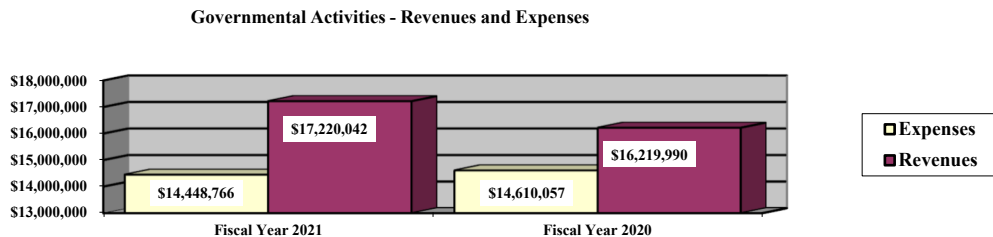
**Governmental Activities**

Net position of the District’s governmental activities increased \$2,771,276. Total governmental expenses of \$14,448,766 were offset by program revenues of \$3,790,099 and general revenues of \$13,429,943. Program revenues supported 26.23% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property taxes, grants, and entitlements. These revenue sources represent 76.40% of total governmental revenue.

Property taxes increased due to the passage of a 10 year, four-mill operating levy which was approved by the voters on May 8, 2019. Charges for services program revenues decreased due to less activity as a result of the COVID-19 pandemic. Operating grants and contributions increased primarily due to increased federal grant funding including \$256,726 in Elementary and Secondary School Emergency Relief (ESSER) funding and \$137,018 in Coronavirus Relief funding.

Expenses of the governmental activities decreased \$161,291 or 1.10%. On an accrual basis, the District reported \$1,528,585 and \$1,732,957 in pension expense for fiscal year 2021 and 2020, respectively. In addition, the District reported (\$69,190) and (\$220,751) in OPEB expense for fiscal year 2021 and 2020, respectively. The net decrease in both the net pension expense and net OPEB expense was \$52,811 from fiscal year 2020 to fiscal year 2021. The changes are primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2021 and 2020.



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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The statement of activities 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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

<b>Governmental Activities</b>				
	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,200,775	\$ 4,589,633	\$ 6,366,018	\$ 4,912,304
Special	2,121,116	1,050,819	2,257,288	1,123,256
Vocational	2,025	(19,609)	21,036	(598)
Other	311,122	275,806	289,477	289,477
Support services:				
Pupil	622,151	414,207	547,578	365,079
Instructional staff	274,775	147,698	291,547	200,785
Board of education	17,377	17,377	16,873	16,873
Administration	1,137,451	1,137,451	1,134,300	1,134,300
Fiscal	518,345	518,345	510,447	510,423
Business	31,157	31,157	-	-
Operations and maintenance	1,127,609	974,656	1,109,914	1,017,642
Pupil transportation	951,532	936,599	999,684	986,524
Central	111,555	89,545	55,918	48,267
Operation of non-instructional services:				
Food service operations	468,910	59,431	450,371	80,549
Other non-instructional services	9,744	9,744	-	-
Extracurricular activities	543,122	425,808	559,606	382,924
<b>Total expenses</b>	<b><u>\$ 14,448,766</u></b>	<b><u>\$ 10,658,667</u></b>	<b><u>\$ 14,610,057</u></b>	<b><u>\$ 11,067,805</u></b>

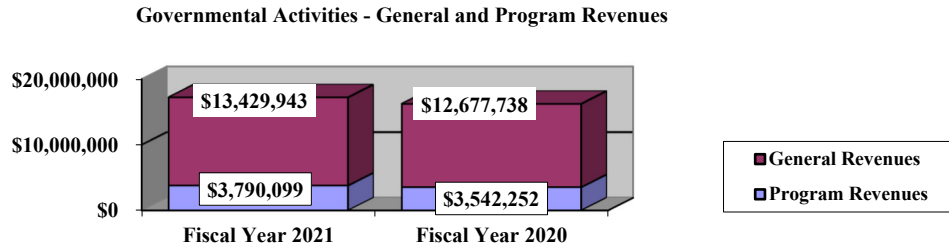
The dependence upon tax and other general revenues for governmental activities is apparent as 68.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.77%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The graph below presents the District's governmental activities revenue for fiscal year 2021 and 2020.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$11,172,450, which is higher than last year's total of \$8,452,612. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and 2020.

Fund	Fund Balance June 30, 2021	Fund Balance June 30, 2020	Change	Percentage Change
General	\$ 10,671,774	\$ 7,956,217	\$ 2,715,557	34.13 %
Nonmajor governmental	500,676	496,395	4,281	0.86 %
<b>Total</b>	<b>\$ 11,172,450</b>	<b>\$ 8,452,612</b>	<b>\$ 2,719,838</b>	<b>32.18 %</b>

**General Fund**

The District's general fund balance increased \$2,715,557. The table that follows assists in illustrating the revenues of the general fund.

<u>Revenues</u>	2021 Amount	2020 Amount	Change	Percentage Change
Property taxes	\$ 8,264,887	\$ 7,744,768	\$ 520,119	6.72 %
Tuition	1,274,547	1,414,483	(139,936)	(9.89) %
Earnings on investments	199,208	101,276	97,932	96.70 %
Intergovernmental	5,049,082	4,875,393	173,689	3.56 %
Other revenues	101,885	181,774	(79,889)	(43.95) %
<b>Total</b>	<b>\$ 14,889,609</b>	<b>\$ 14,317,694</b>	<b>\$ 571,915</b>	<b>3.99 %</b>

Total revenues increased 3.99% from the prior fiscal year. Property tax revenue increased due to the passage of a 10 year, four-mill operating levy which was approved by the voters on May 8, 2019. Tuition revenue decreased \$139,936 due to COVID-19 pandemic. Earnings on investments increased \$97,932 due to the reporting of a dividend from the Ohio Bureau of Workers' Compensation. Intergovernmental revenue increased due to increased funding from the State of Ohio in the form of Foundation payments. Other revenues, namely refunds and reimbursements, decreased from 2020 to 2021.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 7,548,896	\$ 7,721,732	\$ (172,836)	(2.24) %
Support services	4,269,779	4,064,257	205,522	5.06 %
Extracurricular activities	<u>247,190</u>	<u>238,167</u>	<u>9,023</u>	3.79 %
Total	<u>\$ 12,065,865</u>	<u>\$ 12,024,156</u>	<u>\$ 41,709</u>	0.35 %

Overall expenditures increased \$41,709 or 0.35% from the prior fiscal year. Instruction expenditures decreased primarily in the area of regular instructional and special instructional costs. Support services expenditures increased primarily in the area of central support services and pupil support services.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2021, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$14,080,982, which was increased in the final budgeted revenues to \$14,767,982. Actual revenues and other financing sources for fiscal year 2021 were \$14,916,040. This represents a \$148,058 increase to the final budget.

General fund original appropriations (appropriated expenditures and other financing uses) were \$13,772,032 which was increased to \$14,772,032 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2021 totaled \$12,206,432, which was \$2,565,600 below the final appropriations.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2021, the District had \$5,312,431 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The June 30, 2020, balances of capital assets have been restated as described in Note 3 and Note 8. The following table shows June 30, 2021, balances compared to June 30, 2020 (as restated).

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2021	Restated 2020
Land	\$ 114,886	\$ 114,886
Land improvements	754,051	807,333
Building and improvements	3,592,878	3,526,541
Furniture and equipment	211,276	232,466
Vehicles	639,340	578,533
Total	\$ 5,312,431	\$ 5,259,759

The overall increase in capital assets of \$52,672 is due to capital outlays of \$430,591 exceeds depreciation expense of \$377,919. See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2021, the District did not have any outstanding debt. The District's overall legal debt margin was \$26,413,823, with an unvoted debt margin of \$293,487. See Note 9 to the basic financial statements for additional information on the District's long-term obligations.

**Current Financial Related Activities**

As the preceding information shows, the Garaway Local School District relies heavily upon its property tax holders and the state of Ohio for funding through the State Foundation Program. This dependency on the state makes the District vulnerable to legislative changes that can change focus every two years depending on changing political winds. This causes some difficulty in predicting future revenue streams. The unique nature of property taxes in Ohio creates this need to routinely seek voter approval for operating levies.

The District has also been affected by mandates in gifted education, increased special education services required by our students and new disabilities, increased transportation services to charter schools, reduction of student services at developmental disability facilities, escalation of health insurance costs, increased utility costs and unpredictable fuel costs in addition to decreases in state support and federal grant revenues. With these mandates and increasing costs as well as changes in revenue streams, managing and monitoring the finances of the District has become increasingly more difficult.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

The unprecedented COVID-19 pandemic has resulted in some continuing unusual fluctuations in both revenues and expenditures. The resulting effect of these items are reflected in the fiscal year 2021 financial statements. Despite the many challenges this pandemic has presented, we continue to strive to be good stewards of the resources entrusted to the District in order to provide opportunities for students to succeed.

The District is fortunate that parents and community members strongly believe that their schools are one of their highest priorities and one of the most important public institutions in their local communities.

Even with conservative spending strategies, the District is committed to academic excellence and student safety. Garaway is a leader in educational options for students for online dual enrollment opportunities as well as College Credit Plus. We pride ourselves on innovation and have used grants to add relevant technology and an academic curriculum meaningful for how students learn today.

The District's Board and management team continues to carefully and prudently plan in order to meet the ever-changing challenges of the future and to provide needed resources required by students to succeed academically as well as in their chosen path in life.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Sheryl Hardesty, Treasurer, Garaway Local School District, 146 Dover Road, NW, Sugarcreek, Ohio 44681-9309.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 11,801,589
Cash with fiscal agent	1,308,835
Receivables:	
Property taxes	8,223,599
Payment in lieu of taxes	27,773
Accounts	1,170
Accrued interest	454
Intergovernmental	244,459
Prepayments	34,830
Materials and supplies inventory	25,207
Inventory held for resale	4,465
Net OPEB asset	767,228
Capital assets:	
Nondepreciable capital assets	114,886
Depreciable capital assets, net	5,197,545
Capital assets, net	5,312,431
Total assets	27,752,040
<b>Deferred outflows of resources:</b>	
Pension	2,312,033
OPEB	347,669
Total deferred outflows of resources	2,659,702
<b>Liabilities:</b>	
Accounts payable	12,042
Accrued wages and benefits payable	1,459,409
Intergovernmental payable	52,023
Pension and postemployment benefits payable	190,601
Claims payable	183,002
Long-term liabilities:	
Due within one year	170,993
Due in more than one year:	
Net pension liability	13,787,315
Net OPEB liability	1,098,580
Other amounts due in more than one year	676,286
Total liabilities	17,630,251
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year	7,182,210
Pension	347,425
OPEB	1,515,700
Total deferred inflows of resources	9,045,335
<b>Net position:</b>	
Investment in capital assets	5,312,431
Restricted for:	
Capital projects	224,137
State funded programs	130,642
Federally funded programs	8,066
Food service operations	76,278
Extracurricular	134,723
Other purposes	22,161
Unrestricted (deficit)	(2,172,282)
Total net position	\$ 3,736,156

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 6,200,775	\$ 1,180,448	\$ 430,694	\$ (4,589,633)
Special	2,121,116	94,099	976,198	(1,050,819)
Vocational	2,025	-	21,634	19,609
Other	311,122	-	35,316	(275,806)
Support services:				
Pupil	622,151	13,084	194,860	(414,207)
Instructional staff	274,775	-	127,077	(147,698)
Board of education	17,377	-	-	(17,377)
Administration	1,137,451	-	-	(1,137,451)
Fiscal	518,345	-	-	(518,345)
Business	31,157	-	-	(31,157)
Operations and maintenance	1,127,609	5,460	147,493	(974,656)
Pupil transportation	951,532	-	14,933	(936,599)
Central	111,555	-	22,010	(89,545)
Operation of non-instructional services:				
Food service operations	468,910	9,330	400,149	(59,431)
Other non-instructional services	9,744	-	-	(9,744)
Extracurricular activities	543,122	106,541	10,773	(425,808)
Totals	\$ 14,448,766	\$ 1,408,962	\$ 2,381,137	(10,658,667)
<b>General revenues:</b>				
Property taxes levied for:				
				8,244,392
				256,827
				27,773
				4,627,637
				209,791
				63,523
				13,429,943
				2,771,276
				964,880
				\$ 3,736,156

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 11,139,987	\$ 661,602	\$ 11,801,589
Receivables:			
Property taxes	7,976,474	247,125	8,223,599
Payment in lieu of taxes	27,773	-	27,773
Accounts	914	256	1,170
Accrued interest	454	-	454
Interfund loans	1,435	-	1,435
Intergovernmental	6,374	238,085	244,459
Prepayments	32,445	2,385	34,830
Materials and supplies inventory	21,882	3,325	25,207
Inventory held for resale	-	4,465	4,465
Total assets	<u>\$ 19,207,738</u>	<u>\$ 1,157,243</u>	<u>\$ 20,364,981</u>
<b>Liabilities:</b>			
Accounts payable	\$ 12,042	\$ -	\$ 12,042
Accrued wages and benefits payable	1,198,558	260,851	1,459,409
Compensated absences payable	54,868	4,105	58,973
Intergovernmental payable	48,919	3,104	52,023
Pension obligation payable	160,993	29,608	190,601
Interfund loans payable	-	1,435	1,435
Total liabilities	<u>1,475,380</u>	<u>299,103</u>	<u>1,774,483</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year	6,965,259	216,951	7,182,210
Delinquent property tax revenue not available	62,024	1,818	63,842
Intergovernmental revenue not available	-	137,863	137,863
Miscellaneous revenue not available	5,528	832	6,360
Payments in lieu of taxes revenue not available	27,773	-	27,773
Total deferred inflows of resources	<u>7,060,584</u>	<u>357,464</u>	<u>7,418,048</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory	21,882	3,325	25,207
Prepays	32,445	2,385	34,830
Unclaimed monies	1,400	-	1,400
Restricted:			
Capital improvements	-	222,319	222,319
Food service operations	-	87,267	87,267
State funded programs	-	149,572	149,572
Federally funded programs	-	2	2
Extracurricular	-	135,073	135,073
Other purposes	-	20,411	20,411
Assigned:			
Student instruction	12,648	-	12,648
Student and staff support	73,666	-	73,666
Other purposes	1,176	-	1,176
Unassigned (deficit)	<u>10,528,557</u>	<u>(119,678)</u>	<u>10,408,879</u>
Total fund balances	<u>10,671,774</u>	<u>500,676</u>	<u>11,172,450</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 19,207,738</u>	<u>\$ 1,157,243</u>	<u>\$ 20,364,981</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

<b>Total governmental fund balances</b>		\$ 11,172,450
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,312,431
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 63,842	
Payment in lieu of taxes receivable	27,773	
Accounts receivable	6,360	
Intergovernmental receivable	137,863	
Total		235,838
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		1,125,833
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	2,312,033	
Deferred inflows - pension	(347,425)	
Net pension liability	(13,787,315)	
Deferred outflows - OPEB	347,669	
Deferred inflows - OPEB	(1,515,700)	
Net OPEB asset	767,228	
Net OPEB liability	(1,098,580)	
Total		(13,322,090)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(788,306)	
Total		(788,306)
<b>Net position of governmental activities</b>		<b>\$ 3,736,156</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 8,264,887	\$ 257,456	\$ 8,522,343
Payment in lieu of taxes	25,249	-	25,249
Intergovernmental	5,049,082	1,872,544	6,921,626
Investment earnings	199,208	4,388	203,596
Tuition and fees	1,274,547	-	1,274,547
Extracurricular	13,084	95,414	108,498
Rental income	5,460	-	5,460
Charges for services	-	20,457	20,457
Contributions and donations	97	19,266	19,363
Miscellaneous	57,995	5,927	63,922
Total revenues	<u>14,889,609</u>	<u>2,275,452</u>	<u>17,165,061</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,730,380	435,428	6,165,808
Special	1,545,303	571,742	2,117,045
Vocational	563	-	563
Other	272,650	34,920	307,570
Support services:			
Pupil	460,199	159,163	619,362
Instructional staff	165,791	102,799	268,590
Board of education	17,129	-	17,129
Administration	1,124,356	-	1,124,356
Fiscal	484,709	4,696	489,405
Operations and maintenance	1,060,210	323,607	1,383,817
Pupil transportation	868,760	123,325	992,085
Central	88,625	22,930	111,555
Operation of non-instructional services:			
Food service operations	-	464,759	464,759
Other non-instructional services	-	9,744	9,744
Extracurricular activities	247,190	126,245	373,435
Total expenditures	<u>12,065,865</u>	<u>2,379,358</u>	<u>14,445,223</u>
Excess of revenues over (under) expenditures	<u>2,823,744</u>	<u>(103,906)</u>	<u>2,719,838</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	108,187	108,187
Transfers (out)	(108,187)	-	(108,187)
Total other financing sources (uses)	<u>(108,187)</u>	<u>108,187</u>	<u>-</u>
Net change in fund balances	2,715,557	4,281	2,719,838
<b>Fund balances at beginning of year</b>	<u>7,956,217</u>	<u>496,395</u>	<u>8,452,612</u>
<b>Fund balances at end of year</b>	<u>\$ 10,671,774</u>	<u>\$ 500,676</u>	<u>\$ 11,172,450</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<b>Net change in fund balances - total governmental funds</b>	\$	2,719,838
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 430,591	
Current year depreciation	(377,919)	
Total		52,672
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(21,124)	
Payment in lieu of taxes	2,524	
Miscellaneous	6,360	
Intergovernmental	56,638	
Total		44,398
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	996,688	
OPEB	31,160	
Total		1,027,848
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,528,585)	
OPEB	69,190	
Total		(1,459,395)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		94,838
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		291,077
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>2,771,276</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES 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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 7,733,982	\$ 8,283,982	\$ 8,298,090	\$ 14,108
Payment in lieu of taxes	15,000	15,000	25,249	10,249
Intergovernmental	4,915,100	4,965,100	5,048,218	83,118
Investment earnings	50,000	237,000	231,250	(5,750)
Tuition and fees	1,349,500	1,249,500	1,274,626	25,126
Rental income	5,400	5,400	5,460	60
Contributions and donations	-	-	97	97
Miscellaneous	12,000	12,000	10,513	(1,487)
<b>Total revenues</b>	<u>14,080,982</u>	<u>14,767,982</u>	<u>14,893,503</u>	<u>125,521</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,528,247	7,492,445	5,731,316	1,761,129
Special	1,681,860	1,672,470	1,549,481	122,989
Vocational	34,504	34,500	563	33,937
Other	352,432	353,709	283,633	70,076
Support services:				
Pupil	420,219	417,950	440,721	(22,771)
Instructional staff	232,207	231,160	166,660	64,500
Board of education	20,086	19,980	16,903	3,077
Administration	1,187,698	1,182,349	1,125,718	56,631
Fiscal	521,613	522,972	504,964	18,008
Operations and maintenance	1,237,748	1,293,470	1,081,893	211,577
Pupil transportation	968,551	965,884	865,790	100,094
Central	126,025	125,843	83,632	42,211
Extracurricular activities	300,792	299,250	245,486	53,764
<b>Total expenditures</b>	<u>13,611,982</u>	<u>14,611,982</u>	<u>12,096,760</u>	<u>2,515,222</u>
Excess (deficiency) of revenues over (under) expenditures	<u>469,000</u>	<u>156,000</u>	<u>2,796,743</u>	<u>2,640,743</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	-	-	15,595	15,595
Refund of prior year's receipts	(50)	(50)	(50)	-
Transfers (out)	(150,000)	(150,000)	(108,187)	41,813
Advances (out)	(10,000)	(10,000)	(1,435)	8,565
Sale of capital assets	-	-	6,942	6,942
<b>Total other financing sources (uses)</b>	<u>(160,050)</u>	<u>(160,050)</u>	<u>(87,135)</u>	<u>72,915</u>
Net change in fund balance	308,950	(4,050)	2,709,608	2,713,658
<b>Fund balance at beginning of year</b>	8,266,294	8,266,294	8,266,294	-
<b>Prior year encumbrances appropriated</b>	75,032	75,032	75,032	-
<b>Fund balance at end of year</b>	<u>\$ 8,650,276</u>	<u>\$ 8,337,276</u>	<u>\$ 11,050,934</u>	<u>\$ 2,713,658</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent	\$ 1,308,835
Total assets	<u>1,308,835</u>
<b>Liabilities:</b>	
Current liabilities:	
Claims payable	<u>183,002</u>
Total liabilities	<u>183,002</u>
<b>Net position:</b>	
Unrestricted	<u>1,125,833</u>
Total net position	<u><u>\$ 1,125,833</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 2,275,052
Other	196,649
Total operating revenues	2,471,701
<b>Operating expenses:</b>	
Purchased services	524,460
Other	642
Claims	1,666,105
Total operating expenses	2,191,207
Operating income	280,494
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	10,583
Total nonoperating revenues (expenses)	10,583
Change in net position	291,077
<b>Net position at beginning of year</b>	834,756
<b>Net position at end of year</b>	\$ 1,125,833

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from interfund services	\$ 2,275,052
Cash received from other operations	196,649
Cash payments for purchased services	(524,460)
Cash payments for claims	(1,679,082)
Cash payments for other expenses	(642)
	267,517
Net cash provided by operating activities	267,517
<b>Cash flows from investing activities:</b>	
Interest received	10,583
	10,583
Net cash provided by investing activities	10,583
Net increase in cash and cash equivalents	278,100
<b>Cash and cash equivalents at beginning of year</b>	<b>1,030,735</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,308,835</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 280,494
Changes in assets and liabilities:	
(Decrease) in claims payable	(12,977)
	(12,977)
Net cash provided by operating activities	\$ 267,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Garaway Local 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 statute and/or federal guidelines.

The District is staffed by 59 non-certified employees, 80 certified full-time teaching personnel and 7 administrative employees who provide services to 1,106 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Career Center (“Career Center”)

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational needs of the students. The Career Center’s Board of Education is comprised of representatives from the Board of Education of each participating school district. The Career Center’s Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District’s students may attend the Career Center. Each participating District’s control is limited to its representation on the Career Center’s Board of Education. During fiscal year 2021, \$2,759 was paid to the Career Center from the District for various supplies.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

Ohio Mid-Eastern Regional Education Service Agency Information Technology Center Regional Council of Governments

The District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating district. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2021, the total amount paid to the Council from the District was \$76,984. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2230 Sunset Blvd., Steubenville, Ohio 43952.

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 56 members, consisting of three members appointed by the County Commissioners, 22 members appointed by municipal corporations, 12 members appointed by township trustees, two members from the county auditor's office, 16 members appointed by boards of education located within the county, and one member representing the Economic Development and Finance Alliance. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Plan

The District participates in a Group Rating Plan (the "Plan") for workers' compensation as established under Section 4123-17-73 of the Ohio Administrative Code. The Ohio SchoolComp Group Retrospective Rating Plan was established through the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). The Executive Directors of the OSBA and OASBO, or their designees, serve as coordinators of the group retrospective rating program. Each year, the participating school districts pay an enrollment fee to the program to cover the costs of the administering the program.

Jefferson Health Plan (JHP) Health Benefits Program

The JHP is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The JHP's business affairs are conducted by a Board of Directors elected from member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee.



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, plus deferred outflows of resources, and liabilities plus deferred inflows of resources is reported as fund balance.

The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) 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 (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. The District does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial fund accounts for Ohio High School Athletic Association tournament activity, East District Athletic Board tournament activity, and Inter Valley Conference tournament activity. The District had no custodial fund balances or activity in fiscal year 2021.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**C. Basis of Presentation and Measurement Focus**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Like the government-wide statements, the internal service fund and custodial funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds present a statement of net position and a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. During fiscal year 2021, the District had no custodial activity; therefore, no statements are presented.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

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

**E. Budgetary Process**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given the authority to allocate the Board's appropriations to the function and object level.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over 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, including all supplemental appropriations.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2021, investments were limited to repurchase agreements, non-negotiable certificates of deposit, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Nonparticipating investment contracts, such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost. Investments in STAR Ohio are reported at their net asset value (NAV) per share provided by STAR Ohio.

During fiscal year 2021, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The 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 an NAV per share that approximates fair value.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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 should 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$199,208, which includes \$8,635 assigned from other funds.

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

An analysis of the District’s investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. The District’s capitalization threshold is \$10,000 for land improvements and building improvements, \$5,000 for furniture and equipment, and all values of land and vehicles. Donated capital assets are recorded at their acquisition value. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	5 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 20 years

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

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

The District follows the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is an estimate based on the District’s past experience of making termination payments. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2021 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, net pension liability, and net OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**L. 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 the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS 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 District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**N. Estimates**

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

**O. Interfund Activity**

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

**P. Pensions/Other Postemployment Benefits (OPEB)**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2021, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**R. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

**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.



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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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. Restatement of Net Position**

The District has restated net position of the governmental activities due to a reappraisal of the District's capital assets. The restatement had the following effect on net position as previously reported at June 30, 2020:

	Governmental Activities
Net position as previously reported	\$ 309,310
Adjustment to capital assets as result of reappraisal	655,570
Restated net position, June 30, 2020	\$ 964,880

**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 (ESSER)	\$ 37,464
IDEA Part B	27,359
School Improvement Stimulus A	5,576
Supporting Effective Instruction	6,513
Title I	42,766
Total	\$ 119,678

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - 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.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the 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.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2021 was \$1,308,835. This amount is not included in the “deposits” or “investments” reported below.

**B. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits, including \$5,884,333 in non-negotiable certificates of deposit, was \$7,111,096 and the bank balance of all District deposits was \$7,147,465. Of the bank balance, \$1,000,000 was covered by the FDIC and \$6,147,465 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

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. 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:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Maturities 6 months or less</u>
<i>Cost:</i>		
Repurchase agreement	\$ 2,830,000	\$ 2,830,000
<i>Amortized cost:</i>		
STAR Ohio	<u>1,860,493</u>	<u>1,860,493</u>
Total	<u>\$ 4,690,493</u>	<u>\$ 4,690,493</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring the District's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Repurchase agreements shall not exceed 30 days.

*Credit Risk:* The District does not have an investment policy that addresses credit risk. STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*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 repurchase agreement is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% Total</u>
<i>Cost:</i>		
Repurchase agreement	\$ 2,830,000	60.33
<i>Amortized cost:</i>		
STAR Ohio	<u>1,860,493</u>	<u>39.67</u>
Total	<u>\$ 4,690,493</u>	<u>100.00</u>

**D. 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 above to cash and investments as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,111,096
Investments	4,690,493
Cash with fiscal agent	<u>1,308,835</u>
Total	<u>\$ 13,110,424</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 13,110,424</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2021 as reported on the fund statements, consist of the following individual short-term interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 1,435</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Transfers for the fiscal year ended June 30, 2021, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 108,187</u>

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - 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 property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of 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 percent 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 property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Coshocton County, Holmes County and Tuscarawas County. 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 as an advance at June 30, 2021 was \$949,191 in the general fund and \$28,356 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2020 was \$982,319 in the general fund and \$28,883 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2021 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the 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	\$ 272,155,810	94.80	\$ 277,730,320	94.63
Public utility personal	<u>14,938,390</u>	<u>5.20</u>	<u>15,756,600</u>	<u>5.37</u>
Total	<u>\$ 287,094,200</u>	<u>100.00</u>	<u>\$ 293,486,920</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.60		\$52.40	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2021 consisted of property taxes, payments in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

<b>Governmental activities:</b>	
Property taxes	\$ 8,223,599
Payments in lieu of taxes	27,773
Accounts	1,170
Accrued interest	454
Intergovernmental	<u>244,459</u>
Total	<u>\$ 8,497,455</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 8 - CAPITAL ASSETS**

The District has restated capital asset balances at June 30, 2020 due to a reappraisal. The restatement had the following effect on capital asset balances as previously reported:

<b>Governmental Activities</b>	Balance 06/30/20	Adjustment	Restated Balance 06/30/20
<i>Capital assets, not being depreciated:</i>			
Land	\$ 114,836	\$ 50	\$ 114,886
Total capital assets, not being depreciated	<u>114,836</u>	<u>50</u>	<u>114,886</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,059,563	135,471	1,195,034
Buildings and improvements	7,242,283	539,214	7,781,497
Furniture and equipment	1,291,570	(656,076)	635,494
Vehicles	1,490,343	4,900	1,495,243
Total capital assets, being depreciated	<u>11,083,759</u>	<u>23,509</u>	<u>11,107,268</u>
<i>Less: accumulated depreciation</i>			
Land improvements	(267,395)	(120,306)	(387,701)
Buildings and improvements	(4,203,867)	(51,089)	(4,254,956)
Furniture and equipment	(1,038,549)	635,521	(403,028)
Vehicles	(1,084,595)	167,885	(916,710)
Total accumulated depreciation	<u>(6,594,406)</u>	<u>632,011</u>	<u>(5,962,395)</u>
Governmental activities capital assets, net	<u>\$ 4,604,189</u>	<u>\$ 655,570</u>	<u>\$ 5,259,759</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

<b>Governmental Activities</b>	Restated Balance 06/30/20	Additions	Deductions	Balance 06/30/21
<i>Capital assets, not being depreciated:</i>				
Land	\$ 114,886	\$ -	\$ -	\$ 114,886
Total capital assets, not being depreciated	<u>114,886</u>	<u>-</u>	<u>-</u>	<u>114,886</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,195,034	-	-	1,195,034
Buildings and improvements	7,781,497	221,297	-	8,002,794
Furniture and equipment	635,494	7,269	-	642,763
Vehicles	<u>1,495,243</u>	<u>202,025</u>	<u>(155,709)</u>	<u>1,541,559</u>
Total capital assets, being depreciated	<u>11,107,268</u>	<u>430,591</u>	<u>(155,709)</u>	<u>11,382,150</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(387,701)	(53,282)	-	(440,983)
Buildings and improvements	(4,254,956)	(154,960)	-	(4,409,916)
Furniture and equipment	(403,028)	(28,459)	-	(431,487)
Vehicles	<u>(916,710)</u>	<u>(141,218)</u>	<u>155,709</u>	<u>(902,219)</u>
Total accumulated depreciation	<u>(5,962,395)</u>	<u>(377,919)</u>	<u>155,709</u>	<u>(6,184,605)</u>
Governmental activities capital assets, net	<u>\$ 5,259,759</u>	<u>\$ 52,672</u>	<u>\$ -</u>	<u>\$ 5,312,431</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 42,529
Special	5,646
Vocational	1,462

Support Services:

Pupil	996
Instructional staff	5,789
Administration	3,383
Fiscal	274
Business	31,157
Operations and maintenance	12,945
Pupil transportation	111,180
Extracurricular activities	157,483
Food service operations	<u>5,075</u>
Total depreciation expense	<u>\$ 377,919</u>



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2021, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding			Balance Outstanding	
	06/30/20	Additions	Reductions	06/30/21	Amounts Due in One Year
<b>Governmental activities:</b>					
Net pension liability	\$ 12,781,703	\$ 1,005,612	\$ -	\$ 13,787,315	\$ -
Net OPEB liability	1,261,896	-	(163,316)	1,098,580	-
Compensated absences	<u>906,502</u>	<u>41,310</u>	<u>(100,533)</u>	<u>847,279</u>	<u>170,993</u>
Total	<u>\$ 14,950,101</u>	<u>\$ 1,046,922</u>	<u>\$ (263,849)</u>	<u>\$ 15,733,174</u>	<u>\$ 170,993</u>

See Notes 12 and 13 for details on the net pension liability and net OPEB liability/asset, respectively.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, is primarily the general fund and the following nonmajor governmental funds: food service fund, Title I fund, Title VI-B fund, student wellness and success fund, and supporting effective instruction fund.

**B. 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 \$26,413,823 and an unvoted debt margin of \$293,487.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 11 months or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 11 months per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 300 days for certified employees and classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 61 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 65 days.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to employees through the American United Life Insurance Company of \$15,000 and \$7,500 for full-time and part-time certified employees, respectively, of \$18,000 and \$9,000 for full-time and part-time classified employees, respectively, and \$50,000 for the Superintendent and Treasurer.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted with Ohio School Plan (OSP) for property and fleet insurance. Coverages provided and deductibles are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$51,079,102
Boiler and Machinery (\$1,000 deductible)	51,079,102
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

Fiduciary liability is also protected by the Ohio School Plan with a \$1,000,000 single occurrence limit, a \$3,000,000 aggregate limit, with a \$2,500 deductible. OSP provides general liability at the same limits as fiduciary liability with no deductible. The Travelers Casualty and Surety Company of America maintains a crime policy covering employee dishonesty in the amount of \$20,000 per position for the following covered positions: Board President, Board Vice-President, Superintendent, Assistant Treasurers, and Athletic Director. The Travelers Casualty and Surety Company of America also maintains a \$25,000 bond for the Treasurer. In addition, the District has \$100,000 Funds Transfer Fraud liability insurance through Ohio School Plan.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

The District participates in the Ohio SchoolComp Worker's Compensation Group Retrospective Rating Plan, a voluntary performance-based incentive program offered jointly by OSBA and OASBO. The intent of the program is to reward participants that are able to keep their claims costs low. Districts continue to pay their individual premium directly to the Ohio BWC. Districts will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2020 program, the evaluation periods will be 12/31/21, 12/31/22 and 12/31/23. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall program premium. Participation in the Group Retrospective Rating Plan is limited to school districts that can meet the programs selection criteria. The firm of CompManagement, LLC. provides administrative, cost control and actuarial services to the program.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Employee Group Medical, Dental, and Vision Insurance**

For fiscal year 2021, the District was self-insured for employee group medical, dental, and vision insurance as a member of the JHP Health Benefits Program. For certified employees, the District provides hospital and surgical coverage which is 80% in-network and 60% out-of-network paid of reasonable and customary charges.

For classified employees, hospital coverage is provided at 100% in-network and 90% out-of-network paid of reasonable and customary charges. Outpatient surgical coverage is at 100% in-network and 70% out-of-network. For certified employees, major medical expense coverage includes a \$1,500 individual and \$3,000 family annual deductible in-network and \$3,000 individual and \$6,000 family annual deductible out-of-network, followed by a 80% in-network and 60% out-of-network employee co-payment to a \$250 per person and \$500 per family in-network and \$500 per person and \$1,000 per family out-of-network out-of-pocket maximum. The District paid \$113,227 in administrative fees to Medical Mutual Services, LLC in fiscal year 2021. The District includes a \$75,000 stop loss deductible in its medical and prescription drug program and is subject to reimbursement for plan participant cumulative claims that exceed \$75,000 up to \$1,500,000 through the consortium's internal pool reserve. The District pays 88.5% of the premium for full-time and 50% of the premium for part-time certified employees for single or family coverage. The District also provides dental and vision coverage. The premiums are paid by the District at a rate of 91% for full-time classified employees and 50% for part-time classified employees. The premium is either paid by the fund that paid the salary for the employee or the general fund. The employee share of the group health insurance premium is covered by an Internal Revenue Code Section 125 plan on a mandatory basis.

Total required monthly premiums for coverage are as follows:

	Certified		Classified	
	Family	Individual	Family	Individual
Medical/Surgical/Rx	\$ 1,644.91	\$ 622.06	\$ 1,778.86	\$ 672.71
Dental	95.48	38.22	95.48	38.22
Vision	11.23	4.49	11.23	4.49

The claims liability of \$183,002 reported in the internal service fund at June 30, 2021, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2021	\$ 195,979	\$ 1,666,105	\$ (1,679,082)	\$ 183,002
2020	269,020	1,580,013	(1,653,054)	195,979

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability/Asset***

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

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

***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](http://www.ohsers.org) under Employers/Audit Resources.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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%.

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 \$236,532 for fiscal year 2021. Of this amount, \$25,627 is reported as pension and postemployment benefits payable.

***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](http://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.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

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 \$760,156 for fiscal year 2021. Of this amount, \$133,048 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 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.

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04909560%	0.04451501%	
Proportion of the net pension liability current measurement date	<u>0.04875070%</u>	<u>0.04365452%</u>	
Change in proportionate share	<u>-0.00034490%</u>	<u>-0.00086049%</u>	
Proportionate share of the net pension liability	\$ 3,224,474	\$ 10,562,841	\$ 13,787,315
Pension expense	\$ 301,926	\$ 1,226,659	\$ 1,528,585

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 6,263	\$ 23,703	\$ 29,966
Net difference between projected and actual earnings on pension plan investments	204,687	513,673	718,360
Changes of assumptions	-	567,019	567,019
Contributions subsequent to the measurement date	<u>236,532</u>	<u>760,156</u>	<u>996,688</u>
Total deferred outflows of resources	<u>\$ 447,482</u>	<u>\$ 1,864,551</u>	<u>\$ 2,312,033</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 67,542	\$ 67,542
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>34,408</u>	<u>245,475</u>	<u>279,883</u>
Total deferred inflows of resources	<u>\$ 34,408</u>	<u>\$ 313,017</u>	<u>\$ 347,425</u>

\$996,688 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (27,523)	\$ 263,442	\$ 235,919
2023	54,663	85,507	140,170
2024	85,316	248,976	334,292
2025	64,086	193,453	257,539
Total	\$ 176,542	\$ 791,378	\$ 967,920

***Actuarial Assumptions - SERS***

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	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	<u>100.00 %</u>	

**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		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 4,417,136	\$ 3,224,474	\$ 2,223,808

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - 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 July 1, 2020, actuarial valuation are presented below:

	<u>July 1, 2020</u>
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 July 1, 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 July 1, 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:

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

\*\*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.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 12 - 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	\$ 15,039,646	\$ 10,562,841	\$ 6,769,121

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

See Note 12 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](http://www.ohsers.org) under Employers/Audit Resources.

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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 \$31,160.

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 \$31,160 for fiscal year 2021. Of this amount, \$31,160 is reported as pension and postemployment benefits payable.

***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. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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.

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/asset was measured as of June 30, 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.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.05017900%	0.04451501%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.05054830%</u>	<u>0.04365452%</u>	
Change in proportionate share	<u>0.00036930%</u>	<u>-0.00086049%</u>	
Proportionate share of the net OPEB liability	\$ 1,098,580	\$ -	\$ 1,098,580
Proportionate share of the net OPEB asset	\$ -	\$ 767,228	\$ 767,228
OPEB expense	\$ (17,415)	\$ (51,775)	\$ (69,190)

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 14,429	\$ 49,160	\$ 63,589
Net difference between projected and actual earnings on OPEB plan investments	12,380	26,889	39,269
Changes of assumptions	187,268	12,665	199,933
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	13,259	459	13,718
Contributions subsequent to the measurement date	<u>31,160</u>	<u>-</u>	<u>31,160</u>
Total deferred outflows of resources	<u>\$ 258,496</u>	<u>\$ 89,173</u>	<u>\$ 347,669</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ 558,704	\$ 152,822	\$ 711,526
Changes of assumptions	27,669	728,736	756,405
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>22,430</u>	<u>25,339</u>	<u>47,769</u>
Total deferred inflows of resources	<u>\$ 608,803</u>	<u>\$ 906,897</u>	<u>\$ 1,515,700</u>

\$31,160 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	\$ (76,315)	\$ (204,273)	\$ (280,588)
2023	(75,422)	(186,071)	(261,493)
2024	(75,567)	(179,688)	(255,255)
2025	(76,287)	(175,309)	(251,596)
2026	(58,157)	(35,104)	(93,261)
Thereafter	(19,719)	(37,279)	(56,998)
Total	\$ (381,467)	\$ (817,724)	\$ (1,199,191)

***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.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 13 - 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	<u>100.00 %</u>	

**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	\$ 1,344,635	\$ 1,098,580	\$ 902,967

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 865,048	\$ 1,098,580	\$ 1,410,872



**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Actuarial Assumptions - STRS***

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

	July 1, 2020		July 1, 2019	
	Initial	Ultimate	Initial	Ultimate
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				
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.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 13 - 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	\$ 667,538	\$ 767,228	\$ 851,811

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 846,560	\$ 767,228	\$ 670,588

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transaction (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund are as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 2,709,608
Net adjustment for revenue accruals	(17,048)
Net adjustment for expenditure accruals	4,606
Net adjustment for other sources/uses	(21,052)
Funds budgeted elsewhere	(10,225)
Adjustment for encumbrances	49,668
GAAP basis	<u>\$ 2,715,557</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school fund, the unclaimed monies fund, and district teacher and fundraiser funds.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

**C. School Foundation**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE adjustments for fiscal year 2021 have been finalized. The impact of the FTE adjustments did not have a material impact on the District's financial statements.

**NOTE 16 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	229,586
Current year offsets	<u>(281,149)</u>
Total	<u>\$ (51,563)</u>
Balance carried forward to fiscal year 2022	<u>\$ -</u>
Set-aside balance June 30, 2021	<u>\$ -</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 17 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances (less amounts included in accounts payable) in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 50,666
Nonmajor governmental fund	<u>96,466</u>
Total	<u>\$ 147,132</u>

**NOTE 18 - TAX ABATEMENTS**

The Village of Sugarcreek has entered into two tax abatement agreements with Eagle Machinery & Supply, Inc./Gnomon Properties, LLC. and two tax abatement agreements with Pleasant Valley Teardrop Trailers, LLC. for the abatement of real property taxes. Under these agreements, the businesses agree to bring jobs and economic development into the District in exchange for forgone property tax receipts. Under the agreements, the District's property tax revenues were reduced by \$42,194 during fiscal year 2021. Additionally, Ohio Revised Code Section 5709.82(C)(2) provided for the District to receive compensation for all or a portion of the tax revenue the District would have received had the property not been exempt from taxation. During FY2021, the District was compensated \$25,249.

**NOTE 19 - OPERATING LEASE**

The District entered into an operating lease agreement in a prior year with ComDoc for copiers. The lease is for a five year period, ending on August 23, 2022. Copier operating lease expenditures under this agreement totaled \$18,612 in 2021. The agreement provides for minimum annual leases as follows:

<u>Year Ended</u>	<u>Annual Amount</u>
2022	\$ 12,408
Total	<u>\$ 12,408</u>

**NOTE 20 - 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.

During fiscal year 2021, the District received \$137,018 in CARES Act funding and \$256,726 in Elementary and Secondary School Emergency Relief (ESSER) funding. These amounts are reported in the Coronavirus Relief fund (a nonmajor governmental fund) and ESSER fund (a nonmajor governmental fund), respectively.

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 21 - SUBSEQUENT EVENT**

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 educating 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 \$839,518 in revenue and expenditures/expense related to these programs. Also during fiscal year 2021, the District reported \$1,102,685 in tuition and fees from the resident school districts which will be direct 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 February 14, 2022, the District approved a \$448,000 contract to upgrade the heating, ventilation and air conditioning system in the high school gymnasium. The project is expected to be paid from Elementary and Secondary School Emergency Relief (ESSER) funding.

REQUIRED SUPPLEMENTARY INFORMATION

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.04875070%	0.04909560%	0.05069210%	0.04937620%
District's proportionate share of the net pension liability	\$ 3,224,474	\$ 2,937,476	\$ 2,903,230	\$ 2,950,119
District's covered payroll	\$ 1,634,500	\$ 1,759,015	\$ 1,667,556	\$ 1,589,893
District's proportionate share of the net pension liability as a percentage of its covered payroll	197.28%	167.00%	174.10%	185.55%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	70.85%	71.36%	69.50%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.05276530%	0.05147590%	0.04972900%	0.04972900%
\$ 3,861,933	\$ 2,937,265	\$ 2,516,756	\$ 2,957,224
\$ 1,605,721	\$ 1,549,697	\$ 1,445,022	\$ 1,468,714
240.51%	189.54%	174.17%	201.35%
62.98%	69.16%	71.70%	65.52%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.04365452%	0.04451501%	0.04441955%	0.04538106%
District's proportionate share of the net pension liability	\$ 10,562,841	\$ 9,844,227	\$ 9,766,862	\$ 10,780,368
District's covered payroll	\$ 5,283,879	\$ 5,221,636	\$ 5,072,300	\$ 5,031,664
District's proportionate share of the net pension liability as a percentage of its covered payroll	199.91%	188.53%	192.55%	214.25%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	77.40%	77.31%	75.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04543755%	0.04583586%	0.04617105%	0.04617105%
\$ 15,209,318	\$ 12,667,691	\$ 11,230,397	\$ 13,377,576
\$ 4,764,707	\$ 4,782,207	\$ 4,717,408	\$ 5,064,823
319.21%	264.89%	238.06%	264.13%
66.80%	72.10%	74.70%	69.30%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 236,532	\$ 228,830	\$ 237,467	\$ 225,120
Contributions in relation to the contractually required contribution	<u>(236,532)</u>	<u>(228,830)</u>	<u>(237,467)</u>	<u>(225,120)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,689,514	\$ 1,634,500	\$ 1,759,015	\$ 1,667,556
Contributions as a percentage of covered payroll	14.00%	14.00%	13.50%	13.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 222,585	\$ 224,801	\$ 204,250	\$ 200,280	\$ 203,270	\$ 201,928
<u>(222,585)</u>	<u>(224,801)</u>	<u>(204,250)</u>	<u>(200,280)</u>	<u>(203,270)</u>	<u>(201,928)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,589,893	\$ 1,605,721	\$ 1,549,697	\$ 1,445,022	\$ 1,468,714	\$ 1,501,323
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 760,156	\$ 739,743	\$ 731,029	\$ 710,122
Contributions in relation to the contractually required contribution	<u>(760,156)</u>	<u>(739,743)</u>	<u>(731,029)</u>	<u>(710,122)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,429,686	\$ 5,283,879	\$ 5,221,636	\$ 5,072,300
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 704,433	\$ 667,059	\$ 669,509	\$ 613,263	\$ 658,427	\$ 649,148
<u>(704,433)</u>	<u>(667,059)</u>	<u>(669,509)</u>	<u>(613,263)</u>	<u>(658,427)</u>	<u>(649,148)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,031,664	\$ 4,764,707	\$ 4,782,207	\$ 4,717,408	\$ 5,064,823	\$ 4,993,446
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.05054830%	0.05017900%	0.05118880%	0.04992930%
District's proportionate share of the net OPEB liability	\$ 1,098,580	\$ 1,261,896	\$ 1,420,116	\$ 1,339,971
District's covered payroll	\$ 1,634,500	\$ 1,759,015	\$ 1,667,556	\$ 1,589,893
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	67.21%	71.74%	85.16%	84.28%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



**2017**

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0.05327629%

\$ 1,518,571

\$ 1,605,721

94.57%

11.49%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability/asset	0.04365452%	0.04451501%	0.04441955%	0.04538106%
District's proportionate share of the net OPEB liability/(asset)	\$ (767,228)	\$ (737,275)	\$ (713,777)	\$ 1,770,602
District's covered payroll	\$ 5,283,879	\$ 5,221,636	\$ 5,072,300	\$ 5,031,664
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.52%	14.12%	14.07%	35.19%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	182.10%	174.70%	176.00%	47.10%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**2017**

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0.04543755%

\$ 2,430,012

\$ 4,764,707

51.00%

37.30%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 31,160	\$ 32,283	\$ 38,792	\$ 34,934
Contributions in relation to the contractually required contribution	<u>(31,160)</u>	<u>(32,283)</u>	<u>(38,792)</u>	<u>(34,934)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,689,514	\$ 1,634,500	\$ 1,759,015	\$ 1,667,556
Contributions as a percentage of covered payroll	1.84%	1.98%	2.21%	2.09%

Note: The contributions as a percentage of covered payroll include the surcharge.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 26,398	\$ 25,675	\$ 36,550	\$ 25,924	\$ 30,260	\$ 36,662
<u>(26,398)</u>	<u>(25,675)</u>	<u>(36,550)</u>	<u>(25,924)</u>	<u>(30,260)</u>	<u>(36,662)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,589,893	\$ 1,605,721	\$ 1,549,697	\$ 1,445,022	\$ 1,468,714	\$ 1,501,323
1.66%	1.60%	2.36%	1.79%	2.06%	2.44%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,429,686	\$ 5,283,879	\$ 5,221,636	\$ 5,072,300
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ -	\$ -	\$ -	\$ 49,914	\$ 50,648	\$ 49,934
-	-	-	(49,914)	(50,648)	(49,934)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,031,664	\$ 4,764,707	\$ 4,782,207	\$ 4,717,408	\$ 5,064,823	\$ 4,993,446
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to 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 and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2021.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2021.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2021.

(Continued)



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021. For fiscal year 2021, 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate. For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to (6.69%) initial - 4.00% ultimate prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.

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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>AL</b> <b>Number</b>	<b>Pass Through</b> <b>Entity Identifying</b> <b>Number</b>	<b>Total Federal</b> <b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
School Breakfast Program	10.553	N/A	\$4,928
National School Lunch Program	10.555	N/A	32,414
Total Non-Cash Assistance (Food Distribution)			<u>37,342</u>
Cash Assistance:			
School Breakfast Program / Seamless Summer Option	10.553	N/A	98,986
COVID-19 National School Breakfast Program	10.553	N/A	6,619
National School Lunch Program / Seamless Summer Option	10.555	N/A	224,926
COVID-19 National School Lunch Program	10.555	N/A	23,261
Cash Assistance Subtotal:			<u>353,792</u>
Total Child Nutrition Cluster			<u>391,134</u>
Total U.S. Department of Agriculture			391,134
<b>U.S. DEPARTMENT OF TREASURY</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	75,210
<b><i>Passed Through Auburn Township</i></b>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	<u>61,808</u>
Total U.S. Department of Treasury			137,018
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b><i>Passed Through Ohio Department of Education</i></b>			
Title I Grants to Local Educational Agencies:			
Title I Grants to Local Educational Agencies	84.010	S010A190035	66,069
Title I Grants to Local Educational Agencies		S010A200035	246,361
Expanding Opportunities for Each Child		S010A200035	7,617
Non-Competitive Baltic		N/A	15,594
Total Title I Grants to Local Educational Agencies			<u>335,641</u>
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	H027A190111	53,981
Special Education-Grants to States		H027A200111	207,404
Total Special Education Cluster (IDEA)			<u>261,385</u>
Supporting Effective Instruction State Grant:			
Supporting Effective Instruction State Grant	84.367	S367A190034	11,123
Supporting Effective Instruction State Grant		S367A200034	49,999
Total Supporting Effective Instruction State Grant			<u>61,122</u>
Student Support and Support Enrichment Program	84.424	S424A200036	16,640
Education Stabilization Fund:			
COVID-19 ESSER I (Cares Act)	84.425D	S425D200035	233,208
Total Education Stabilization Fund:			<u>233,208</u>
Total U.S. Department of Education			<u>907,996</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$1,436,148</b></u>

*The accompanying notes are an integral part of this Schedule.*

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Garaway Local School District (the District) under programs of the federal government for the year ended June 30, 2021. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE'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:

<b><u>Program Title</u></b>	<b><u>AL Number</u></b>	<b><u>Amt. Transferred</u></b>
Title I Grants to Local Educational Agencies	84.010	72,957
Title I - NonCompetitive Improvement Grant	84.010	3,138
Special Education - IDEA-B	84.027	41,233
Supporting Effective Instruction	84.367	1,818
Student Support & Support Enrichment	84.424	12,297



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

Garaway Local School District  
Tuscarawas County  
146 Dover Road, NW  
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 18, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2022

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
ContactUs@ohioauditor.gov  
(800) 282-0370

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

Garaway Local School District  
Tuscarawas County  
146 Dover Road, NW  
Sugarcreek, Ohio 44681

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited Garaway Local School District's, Tuscarawas County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Garaway Local School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, Garaway Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 18, 2022



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

# OHIO AUDITOR OF STATE KEITH FABER



**GARAWAY LOCAL SCHOOL DISTRICT**

**TUSCARAWAS COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 3/31/2022**

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

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[www.ohioauditor.gov](http://www.ohioauditor.gov)