OHIO AUDITOR OF STATE
**KEITH FABER**

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**
**JUNE 30, 2021**

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OHIO AUDITOR OF STATE
KEITH FABER

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# INDEPENDENT AUDITOR'S REPORT

Paulding Exempted Village School District
Paulding County
405 North Water Street
Paulding, Ohio 45879-1251

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 cash 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 cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

### *Accounting Basis*

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

### *Emphasis of Matter*

As discussed in Note 19 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*

*Supplementary Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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

Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2022

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**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2021

| | | Governmental Activities |
|---|---|---|
| **Assets** | | |
| Equity in pooled cash and cash equivalents | $ | 8,932,221 |
| | | |
| **Net position** | | |
| Restricted for: | | |
| Classroom facilities maintenance | $ | 240,881 |
| Locally funded programs | | 407 |
| State funded programs | | 70,186 |
| Federally funded programs | | 28,137 |
| Food service operations | | 101,914 |
| Extracurricular activities | | 127,101 |
| Other purposes | | 663,669 |
| Unrestricted | | 7,699,926 |
| | | |
| Total net position | $ | 8,932,221 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

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

| | | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position |
|---|---|---|---|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| **Governmental activities** | | | | | |
| Instruction: | | | | | |
| Regular | $ 7,369,912 | $ 401,206 | $ 39,901 | | $ (6,928,805) |
| Special | 3,267,104 | 23,574 | 1,746,014 | | (1,497,516) |
| Vocational | 148,824 | | 49,549 | | (99,275) |
| Other | 2,225,658 | | | | (2,225,658) |
| Support services: | | | | | |
| Pupil | 1,033,066 | | | | (1,033,066) |
| Instructional staff | 492,382 | | 115,345 | | (377,037) |
| Board of education | 55,244 | | | | (55,244) |
| Administration | 1,209,369 | | 108,039 | | (1,101,330) |
| Fiscal | 600,070 | | 31,216 | | (568,854) |
| Operations and maintenance | 1,510,322 | | 90,061 | | (1,420,261) |
| Pupil transportation | 849,209 | | 2,056 | $ 51,101 | (796,052) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 657,848 | 37,878 | 699,922 | | 79,952 |
| Other non-instructional services | 44,618 | | 36,416 | | (8,202) |
| Extracurricular activities | 652,403 | 183,984 | 14,962 | | (453,457) |
| Facilities acquisition and construction | 1,267,095 | | | | (1,267,095) |
| Debt service: | | | | | |
| Principal retirement | 540,000 | | | | (540,000) |
| Interest and fiscal charges | 10,800 | | | | (10,800) |
| Bond issuance costs | 19,950 | | | | (19,950) |
| Total governmental activities | $ 21,953,874 | $ 646,642 | $ 2,933,481 | $ 51,101 | (18,322,650) |

| | |
|---|---|
| **General receipts** | |
| Property taxes levied for: | |
| General purposes | 4,886,119 |
| Debt service | 15,766 |
| Capital outlay | 195,982 |
| Classroom facilities maintenance | 75,294 |
| Income taxes levied for: | |
| General purposes | 2,060,781 |
| Grants and entitlements not restricted to specific programs | 8,979,629 |
| Proceeds of lease purchase agreement | 745,000 |
| Investment earnings | 59,458 |
| Miscellaneous | 36,309 |
| Total general receipts | 17,054,338 |
| Change in net position | (1,268,312) |
| Net position at beginning of year | 10,200,533 |
| Net position at end of year | $ 8,932,221 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

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

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Equity in pooled cash and cash equivalents | $ 7,559,862 | $ 1,372,359 | $ 8,932,221 |
| **Fund balances** | | | |
| Nonspendable: | | | |
| Unclaimed funds | $ 5,672 | | $ 5,672 |
| Restricted: | | | |
| Adult education | | $ 407 | 407 |
| Classroom facilities maintenance | | 240,881 | 240,881 |
| Food service operations | | 101,914 | 101,914 |
| State funded programs | | 70,186 | 70,186 |
| Federally funded programs | | 28,137 | 28,137 |
| Extracurricular activities | | 127,101 | 127,101 |
| Other purposes | | 657,997 | 657,997 |
| Committed: | | | |
| Capital improvements | | 355,214 | 355,214 |
| Assigned: | | | |
| Student instruction | 75,387 | | 75,387 |
| Student and staff support | 385,317 | | 385,317 |
| Unassigned (deficit) | 7,093,486 | (209,478) | 6,884,008 |
| Total fund balances | $ 7,559,862 | $ 1,372,359 | $ 8,932,221 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

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

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **Receipts** | | | |
| From local sources: | | | |
| Property taxes | $ 4,886,119 | $ 287,042 | $ 5,173,161 |
| Income taxes | 2,060,781 | | 2,060,781 |
| Intergovernmental | 9,782,758 | 2,088,384 | 11,871,142 |
| Investment earnings | 59,458 | 11,893 | 71,351 |
| Tuition and fees | 424,780 | | 424,780 |
| Extracurricular | 18,935 | 146,082 | 165,017 |
| Charges for services | | 56,845 | 56,845 |
| Contributions and donations | | 45,295 | 45,295 |
| Miscellaneous | 36,309 | 35,881 | 72,190 |
| Total receipts | 17,269,140 | 2,671,422 | 19,940,562 |
| **Disbursements** | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 7,333,575 | 36,337 | 7,369,912 |
| Special | 2,371,209 | 895,895 | 3,267,104 |
| Vocational | 148,824 | | 148,824 |
| Other | 2,225,658 | | 2,225,658 |
| Support services: | | | |
| Pupil | 1,033,066 | | 1,033,066 |
| Instructional staff | 410,948 | 81,434 | 492,382 |
| Board of education | 55,244 | | 55,244 |
| Administration | 1,065,450 | 143,919 | 1,209,369 |
| Fiscal | 589,627 | 10,443 | 600,070 |
| Operations and maintenance | 1,315,406 | 194,916 | 1,510,322 |
| Pupil transportation | 845,832 | 3,377 | 849,209 |
| Operation of non-instructional services: | | | |
| Food service operations | | 657,848 | 657,848 |
| Other non-instructional services | | 44,618 | 44,618 |
| Extracurricular activities | 399,210 | 253,193 | 652,403 |
| Facilities acquisition and construction | 725,230 | 541,865 | 1,267,095 |
| Debt service: | | | |
| Principal retirement | | 540,000 | 540,000 |
| Interest and fiscal charges | | 10,800 | 10,800 |
| Bond issuance costs | 19,950 | | 19,950 |
| Total disbursements | 18,539,229 | 3,414,645 | 21,953,874 |
| Excess of disbursements over receipts | (1,270,089) | (743,223) | (2,013,312) |
| **Other financing sources (uses)** | | | |
| Proceeds on lease purchase agreement | 745,000 | | 745,000 |
| Advances in | | 23,136 | 23,136 |
| Advances (out) | (23,136) | | (23,136) |
| Total other financing sources (uses) | 721,864 | 23,136 | 745,000 |
| Net change in fund balances | (548,225) | (720,087) | (1,268,312) |
| Fund balances at beginning of year | 8,108,087 | 2,092,446 | 10,200,533 |
| Fund balances at end of year | $ 7,559,862 | $ 1,372,359 | $ 8,932,221 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

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

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **(Negative)** |
| **Receipts** | | | | |
| From local sources: | | | | |
| Property taxes | $ 4,805,751 | $ 4,805,751 | $ 4,886,119 | $ 80,368 |
| Income taxes | 2,116,566 | 2,116,566 | 2,060,781 | (55,785) |
| Intergovernmental | 8,299,819 | 8,299,819 | 9,782,758 | 1,482,939 |
| Investment earnings | 171,850 | 171,850 | 59,458 | (112,392) |
| Tuition and fees | 382,446 | 382,446 | 424,780 | 42,334 |
| Payment in lieu of taxes | 212 | 212 | | (212) |
| Miscellaneous | 21,440 | 739,381 | 36,309 | (703,072) |
| Total receipts | 15,798,084 | 16,516,025 | 17,250,205 | 734,180 |
| **Disbursements** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,219,436 | 6,932,136 | 7,488,276 | (556,140) |
| Special | 1,787,178 | 1,836,295 | 2,398,032 | (561,737) |
| Vocational | 130,989 | 133,746 | 151,096 | (17,350) |
| Other | 1,706,677 | 1,741,900 | 2,231,303 | (489,403) |
| Support services: | | | | |
| Pupil | 827,500 | 853,907 | 1,016,262 | (162,355) |
| Instructional staff | 415,290 | 453,712 | 419,612 | 34,100 |
| Board of education | 27,949 | 57,428 | 62,637 | (5,209) |
| Administration | 919,717 | 948,878 | 1,080,525 | (131,647) |
| Fiscal | 595,689 | 613,836 | 601,629 | 12,207 |
| Operations and maintenance | 1,136,941 | 1,582,948 | 1,578,192 | 4,756 |
| Pupil transportation | 770,765 | 993,947 | 895,329 | 98,618 |
| Extracurricular activities | 327,574 | 333,547 | 403,815 | (70,268) |
| Facilities acquisition and construction | 725,997 | 726,000 | 180 | 725,820 |
| Total disbursements | 15,591,702 | 17,208,280 | 18,326,888 | (1,118,608) |
| Excess of receipts over (under) disbursements | 206,382 | (692,255) | (1,076,683) | (384,428) |
| **Other financing sources (uses)** | | | | |
| Refund of prior year's disbursements | 130,661 | 130,661 | 187,264 | 56,603 |
| Advances in | | | 124,278 | 124,278 |
| Advances (out) | (87,414) | (87,414) | (147,414) | (60,000) |
| Sale of capital assets | 10,908 | 10,908 | | (10,908) |
| Total other financing sources (uses) | 54,155 | 54,155 | 164,128 | 109,973 |
| Net change in fund balance | 260,537 | (638,100) | (912,555) | (274,455) |
| Fund balance at beginning of year | 7,394,159 | 7,394,159 | 7,394,159 | |
| Prior year encumbrances appropriated | 638,143 | 638,143 | 638,143 | |
| Fund balance at end of year | $ 8,292,839 | $ 7,394,202 | $ 7,119,747 | $ (274,455) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1 – REPORTING ENTITY

The Paulding Exempted Village School District (the District) is located in Paulding County and serves an area of approximately 178 square miles. The District was established through the consolidation of existing land areas and school districts. The District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District currently operates 4 instructional buildings. The District employs 82 non-certified employees, 123 certified employees and 10 administrators to provide services to 1,503 students in grades K through 12 and various community groups.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

### A. Primary Government

The reporting entity has been defined in accordance with Governmental Accounting Standards Board (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 primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Paulding Exempted Village School District, this includes general operations, food service, and student related activities of the District.

### B. Other Organizations

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

Northwest Ohio Area Computer Services Cooperative (NOACSC)
The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties, and the cities of St. Mary's and Wapakoneta. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member educational entities.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county plus one representative from the fiscal agent school district. During fiscal year 2021, the District paid $48,519 to NOACSC for various services. Financial information can be obtained from the Ray Burden, Executive Director, Northwest Ohio Area Computer Services Cooperative, 4277 East Road, Elida, Ohio 45807.

State Support Team Region 1
The State Support Team Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood Counties. The fiscal agent for the SSTR1 is the Educational Service Center of Lake Erie West. The SSTR1 Executive Director and Single Point of Contact is Lynn McKahan. Contact information is available at www.sstr1.org.

Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio which provides vocational education for students. The Vantage Career Center operates under the direction of a Board consisting of one representative from each of the twelve participating school districts' elected boards, located in four counties, including Mercer, Putnam, Paulding, and Van Wert. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from Laura Peters, Vantage Career Center Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

GROUP PURCHASING POOL

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC).The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One-year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one-year period. Payments to SOEPC are made from various funds. The District did not make any payments to SOEPC during fiscal year 2021. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

PUBLIC ENTITY RISK POOLS

Southwestern Ohio Educational Purchasing Council LFP (EPC-LFP)

The District participates in the Southwestern Ohio Educational Purchasing Council LFP (Program), an insurance purchasing pool consisting of fifty-one school districts. The intent of the Program is to achieve the benefit of a reduced premium for the District for its property and liability insurance by virtue of its grouping and representation with other participants in the program.

The Program's business and affairs are conducted by an Executive Council of nine participation school administers. Participation in the Program is by written application subject to acceptance by the Executive Council and the payment of an annual premium. The Administrator of the program is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of the Program. Insurance premiums are paid to the Purchasing Council. Financial information can be obtained from EPC-LFP, 303 Corporate Center Drive, Suite 208 Vandalia, OH 45377.

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Accounting

Although Ohio Administrative Code 117-2-03(B) requires the District's financial report to follow GAAP, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

### 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. Funds are divided into three categories: governmental, proprietary, and fiduciary. The District does not have any proprietary and fiduciary funds.

<u>GOVERNMENTAL FUNDS</u>

Governmental funds are those through which most governmental functions typically are financed. The following is the District's only major governmental fund:

*<u>General Fund</u>* – 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.

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

### C. Basis of Presentation

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

<u>Government-Wide Financial Statements</u> – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements – During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate the legal compliance. Fund financial statements are designed to 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.

## D. Budgetary Process

All funds, except for custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Paulding County Budget Commission has waived the requirement to file a tax budget; however, an Alternative Tax Budget Information form is to be completed and filed with the County Budget Commission. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriation resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control has been established at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent temporary cash flow resources and are expected to be repaid.

1. Alternative Tax Budget Information

   Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The alternative tax budget information includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2021 and do not include the unencumbered fund balance as of July 1, 2020. However, those fund balances are available for appropriations.

3. Appropriations

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund level appropriation must be approved by the Board of Education.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

5. Lapsing of Appropriations

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**E. Cash and Investments**

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

Investments of the District's 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 that were not purchased from the pool are reported as investments.

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

During fiscal year 2021, investments were limited to a repurchase agreement, negotiable certificates of deposit (negotiable CDs), and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at cost, except for STAR Ohio.

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

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

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 fund from which the investment was made. Interest receipts credited to the General Fund during fiscal year 2021 amounted to $59,458, which includes $3,327 assigned from other funds.

### F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements. The District reported no restricted assets.

### G. Inventory and Prepaid Items

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

### H. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

### I. Accumulated Leave

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

### J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

### K. Long-Term Obligations

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

### 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 category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

*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 is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. 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 or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the District's Board of Education. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education or a District official delegated by that authority by resolution or by State statute. State statute authorizes the District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

*Unassigned* – Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

### M. Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, student activities, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available. There are no amounts restricted to enabling legislation.

### N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the basic financial statements.

### O. Pensions/Other Postemployment Benefits (OPEB)

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

### P. Interfund Receivables/Payables

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

## NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

### A. Change in Accounting Principles

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

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

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

**B. Compliance**

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

Contrary to Ohio law, the the District's General and Food Services Funds had expenditures in excess of appropriations in the amounts of $1,923,609 and $77,480, respectively, as of June 30, 2021.

**C. Deficit Fund Balances**

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

| Nonmajor Governmental Funds | Deficit |
|---|---|
| Early Childhood Education Grant | $ 2,502 |
| Elementary and Secondary School Emergency Relief | 134,771 |
| IDEA, Part B Grant | 40,417 |
| Title III Grant | 8 |
| IDEA Preschool Grant | 8,242 |
| Miscellaneous Federal Grants | 19,284 |
| Bond Retirement | 4,254 |

## NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is (a) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than assigned or committed fund balance (cash) and (b) certain funds are included in the General Fund (cash basis) but have separate legally adopted budgets (budgetary basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

**Net Change in Fund Balance**

| | General Fund |
|---|---|
| Cash Basis | $ (548,225) |
| Funds budgeted elsewhere ** | 26,322 |
| Adjustment for encumbrances | (390,652) |
| Budget Basis | $ (912,555) |

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Uniform School Supplies Fund, Public School Support Fund, and the Unclaimed Monies Fund.

## NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury 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 fair 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 items described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) 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.

**A. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits was $4,940,972 and the bank balance of all District deposits was $5,300,030. Of the bank balance, $4,862,789 is covered by FDIC, and $437,241 was covered by pooled collateral.

Although all statutory requirements of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

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

| | | Investments Maturities | |
|---|---|---|---|
| Investment type | Cost | 6 months or less | 7 to 12 months |
| STAR Ohio | $ 2,698,683 | $ 2,698,683 | |
| Negotiable CD's | 494,000 | | $ 494,000 |
| Repurchase Agreement | 798,566 | 798,566 | |
| Total | $ 3,991,249 | $ 3,497,249 | $ 494,000 |

*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 has no investment policy that addresses interest rate risk. As a means of limiting exposure to fair value losses from rising interest rates and according to State statute, the District's investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the District. Repurchase agreements are limited to 30 days and the fair value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

*Credit Risk:* The District's investments in the securities that underlie the District's repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The District's negotiable CD's were not rated but are fully covered by the FDIC. Repurchase agreements are limited to U.S. Treasury bills, bonds, notes or any other obligation or security issued by the U.S. Treasury or any other obligation guaranteed as to principal and interest by the U.S. and bonds, notes, debentures, or any other obligation or security issued by a federal government agency. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

*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 federal agency security is exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District's investments in the repurchase agreement are exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent in the District's name. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in ORC 135.14(M)(2) which stated, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities are transferred are not represented by a certificate, payment shall be made only upon receipt of confirmations or transfer from the custodian by the treasurer, governing board, 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:

| Investment Type | Cost | % of Total |
|---|---|---|
| STAR Ohio | $ 2,698,683 | 67.61 |
| Negotiable CD's | 494,000 | 12.38 |
| Repurchase Agreement | 798,566 | 20.01 |
| Total | $ 3,991,249 | 100.00 |

## C. 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:

| | |
|---|---|
| Cash and Investments Per Note | |
| Carrying amount of deposits | $ 4,940,972 |
| Investments | 3,991,249 |
| Total | $ 8,932,221 |

| | |
|---|---|
| Cash and Investments Per Statement of Net Position | |
| Governmental Activities | $ 8,932,221 |

**NOTE 6 – INTERFUND TRANSACTIONS**

Advances in/advances out consisted of the following at June 30, 2021 as reported on the fund statement:

| Advances Out | Advances In | Amount |
|---|---|---|
| General Fund | Nonmajor Governmental Funds | $ 23,136 |

Advances between governmental funds are eliminated on the government-wide financial statements. The advances are expected to be repaid within one year.

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property located in the District. 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 tangible 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 Paulding and Putnam Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advances can vary based on the date the tax bills are sent.

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

| | 2020 Second Half Collections Amount | Percent | 2021 First Half Collections Amount | Percent |
|---|---|---|---|---|
| Agricultural/residential and other real estate | $ 190,366,650 | 87.74 | $ 191,445,580 | 87.10 |
| Public utility personal | 26,604,110 | 12.26 | 28,349,530 | 12.90 |
| Total | $ 216,970,760 | 100.00 | $ 219,795,110 | 100.00 |
| Tax rate per $1,000 of assessed valuation | $26.10 | | $25.60 | |

## NOTE 8 – SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991 and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund. Total income tax receipts for fiscal year 2021 were $2,060,781.

## NOTE 9 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2021 were as follows:

| | Balance Outstanding 06/30/20 | Additions | Reductions | Balance Outstanding 06/30/21 | Amounts Due in One Year |
|---|---|---|---|---|---|
| **General Obligation Bonds:** | | | | | |
| Series 2007 Refunding Bonds: | | | | | |
| Serial Bonds 3.75 - 4.00% | $ 540,000 | | $ (540,000) | | |
| Lease purchase agreement | | $ 745,000 | | $ 745,000 | $ 148,000 |
| Total | $ 540,000 | $ 745,000 | $ (540,000) | $ 745,000 | $ 148,000 |

*Series 2007 Refunding Bonds*

On November 13, 2007, the District issued $2,924,999 in Series 2007 general obligation refunding bonds to refund Series 2001 general obligation school improvement bonds previously issued for the construction and improvement to instructional buildings. The Series 2007 serial refunding bonds have interest rates ranging from 3.75 to 4 percent and the capital appreciation bonds have an interest rate of 10.9 percent. The bonds refunded $2,925,000 of the Series 2001 school improvement general obligation bonds. The District contributed $72,120 towards the refunding of this debt. A premium, in the amount of $184,368, was received from the issuance of the new bonds. The net proceeds of $3,030,593 plus the District's contribution of $72,120 (after payments of $78,774 in underwriter fees, insurance, and other issuance costs) were used to purchase U.S. government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 2001 general obligation school improvement bonds. The refunding will save $111,011 in interest payments over the life of the debt issue.

Series 2007 current interest serial bonds maturing on or after December 1, 2018 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any date on or after December 1, 2017, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

*Lease purchase obligation*
See Note 18 for detail on the District's lease purchase obligation.

**Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent 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 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2021, are a voted debt margin of $19,774,709 (including debt service funds of a deficit of $4,254) and an unvoted debt margin of $219,766.

## NOTE 10 – 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 the Southwestern Ohio Educational Purchasing Council LFP (EPC-LFP) (the Program) for the following insurance coverage:

| | |
|---|---|
| Coverage provided by Brit Global Specialty USA is as follows: | |
| General Liability | |
| Per Occurrence | $1,000,000 |
| Aggregate | 3,000,000 |
| Automobile Liability | 1,000,000 |
| Building and Contents | 1,000,000 |
| Excess Liability | 5,000,000 |
| Coverage provided by Travelers Property Casualty Company of America is as follows: | |
| Boiler and Machinery | $250,000,000 |
| Coverage provided by Travelers Indemnity Company is as follows: | |
| Excess Property | $350,000,000 |
| Coverage provided by Lexington Insurance Corporation is as follows: | |
| Excess Liability | $5,000,000 |
| Coverage provided by RSUI Indemnity Company is as follows: | |
| School Board Legal Liability | $1,000,000 |
| Coverage provided by Ironshore Specialty Insurance Company is as follows: | |
| Site Pollution Incident Legal Liability | $1,000,000 |
| Coverage provided by Indian Harbor Insurance Company is as follows: | |
| Cyber Liability/Identity Theft | $2,000,000 |

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

### B. Health Insurance

The District offers group medical, dental, vision, and life insurance to all employees. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss. Total disbursements made by the District for medical and dental insurance during fiscal year 2021 were $2,951,411.

### C. Workers' Compensation

The District pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administration costs.

## NOTE 11 – DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

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

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

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

***Plan Description – School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|---|---|---|
| Full benefits | 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 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The District's contractually required contribution to SERS was $320,608 for fiscal year 2021.

***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – Licensed teachers and other faculty members 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (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 percent of final average salary for the five highest years of earnings multiplied by all years of service. In Aril 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 fifty 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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits .If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $1,087,388 for fiscal year 2021.

***Net Pension Liability***

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.06238930% | 0.06366039% | |
| Proportion of the net pension liability current measurement date | 0.06208910% | 0.06237583% | |
| Change in proportionate share | -0.00030020% | -0.00128456% | |
| Proportionate share of the net pension liability | $ 4,106,704 | $ 15,092,731 | $ 19,199,435 |

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

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 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

***Discount Rate*** – The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 5,625,683 | $ 4,106,704 | $ 2,832,252 |

***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:

| | July 1, 2020 |
|---|---|
| Inflation | 2.5 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation |
| Discount rate of return | 7.45 percent |
| Payroll increases | 3.00 percent |
| Cost-of-living adjustments | 0.0 percent, effective July 1, 2017 |

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

Actuarial assumptions used in the 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:

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

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

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 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. 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 percent 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 percent, 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 percent) or one-percentage-point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 21,489,422 | $ 15,092,731 | $ 9,672,069 |

## NOTE 12 – DEFINED BENEFIT OPEB PLANS

***Net OPEB Liability/Asset***

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the modified cash basis framework.

See Note 11 for a description of the net OPEB liability (asset).

***Plan Description – School Employees Retirement System (SERS)***

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was $43,504.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $43,504 for fiscal year 2021.

***Plan Description – State Teachers Retirement System (STRS)***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net OPEB liability/asset prior measurement date | 0.06412200% | 0.06366039% | |
| Proportion of the net OPEB liability/asset current measurement date | 0.06482300% | 0.06237583% | |
| Change in proportionate share | 0.00070100% | -0.00128456% | |
| Proportionate share of the net OPEB liability (asset) | $ 1,408,816 | $ (1,096,255) | $ 312,561 |

***Actuarial Assumptions – SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

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

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

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

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

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

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

***Discount Rate*** – The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22 percent. 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 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, 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. 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 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). 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 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,724,356 | $ 1,408,816 | $ 1,157,962 |

| | 1% Decrease (6% decreasing to 3.75% | Currnt Trend ate (7% decreasing to 4.75%) | 1% Increase (8% decreasing to 5.75%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,109,335 | $ 1,408,816 | $ 1,809,298 |

***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:

| | |
|---|---|
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation |
| Payroll increases | 3.00 percent |
| Discount rate of return | 7.45 percent |
| Blended discount rate of return (delete row) | |
| Health care cost trends | |
| Medical | |
| Pre-Medicare | 5.00 percent, 4 percent ultimate |
| Medicare | -6.69 percent, 4 percent ultimate |
| Prescription Drug | |
| Pre-Medicare | 6.50 percent initial, 4 percent ultimate |
| Medicare | 11.87 percent initial, 4 percent ultimate |

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

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

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.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent 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 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 | 100.00 % | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, but 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 percent 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 as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent 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 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Decrease (8.45%) |
|---|---|---|---|
| District's proportionate share of the net OPEB (asset) | $ (953,813) | $ (1,096,254) | $ (1,217,111) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB asset | $ (1,209,609) | $ (1,096,255) | $ (958,171) |

## NOTE 13 – OTHER EMPLOYEE BENEFITS

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Administrators earn twenty to thirty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one fourth days per month. Sick leave may be accumulated without limit for all employees. Upon retirement, payment is made for a maximum of forty-five days and 5 percent of any accrued but unused sick leave credit in excess of forty-five days for both certified and classified employees. In addition, certified employees will be paid additional days based on twenty-five percent of the difference between maximum sick days earned the last 5 years and the amount used the last 5 years prior to retirement. Classified employees will be paid additional days based on thirty-five percent of the difference between maximum sick days earned for the last 5 years and the amount used in the last 5 years prior to retirement.

### B. Health Care Benefits

The District offers employees medical, dental, vision, and life benefits through United Medical Resources.

## NOTE 14 – CONTINGENCIES

### A. Grants

Amounts grantor agencies pay to the District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

### B. Litigation

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

### C. School Foundation

In fiscal year 2021, District foundation funding was 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. As a result, the impact of future FTE adjustments on the fiscal year 2021 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District. FTE Statement No. 2 was made on November 12, 2021 and resulted in the District owing ODE $5,367. This amount is not recorded in the financial statements.

## NOTE 15 – STATUTORY RESERVES

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.

| | Capital Improvements |
|---|---|
| Set-aside balance June 30, 2020 | |
| Current year set-aside requirement | $ 232,107 |
| Current year offsets | $ (232,107) |
| Set-aside balance June 30, 2021 | |

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years and is therefore not presented as being carried forward to the next fiscal year.

## NOTE 16 – OTHER COMMITMENTS

### Encumbrances

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| Fund Type | Year-End Encumbrances |
|---|---|
| General Fund | $ 392,904 |
| Nonmajor Governmental Funds | 300,212 |
| Total | $ 693,116 |

## NOTE 17 – TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under Enterprise Zone Agreements (EZAs) and the Ohio Community Reinvestment Area (CRA) program with the taxing districts of the District. The EZAs and CRA program are directive incentive tax exemption programs benefiting property owners who renovate or construct new buildings. Under these programs, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, Paulding County has entered into such agreements. Under these agreements, the District's property taxes were reduced by $18,816 through Paulding County. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

## NOTE 18 – LEASE-PURCHASE AGREEMENT

On April 28, 2021, the District entered into a $745,000 lease-purchase agreement with The Ottoville Bank Company (the Lessor) to help finance the purchase of Parc Lane Training Center/School. The source of revenue to fund the principal and interest payments will be derived from permanent improvement revenues of the District.

The lease-purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. The lease purchase agreement has no significant finance-related terms related to events of default, termination events, or subjective acceleration clauses except to state that there shall be no right under any circumstances to accelerate the maturities of base rent payments or otherwise declare any base rent not then past due or in default to be immediately due and payable.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of June 30, 2021:

| Fiscal Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 157,980 |
| 2023 | 153,074 |
| 2024 | 153,089 |
| 2025 | 153,078 |
| 2026 | 154,033 |
| Total minimum lease payments | 771,254 |
| Less: amount representing interest | (26,254) |
| Total | $ 745,000 |

## NOTE 19 – 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. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

## NOTE 20 – SUBSEQUENT EVENTS

For fiscal year 2022, District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective 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 educating school. For fiscal year 2021, the District reported $2,338,101 in revenues and expenditures/expenses related to these programs. Also, during fiscal year 2021, the District reported $275,942 in tuition and fees from the resident school district 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 school 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.

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

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

| **FEDERAL GRANTOR** <br> ***Pass Through Grantor*** <br> **Program / Cluster Title** | **Federal CFDA Number** | **Total Federal Expenditures** |
|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | |
| ***Passed Through Ohio Department of Education*** | | |
| Child Nutrition Cluster: | | |
| National School Lunch Program | | |
| Cash Assistance | 10.555 | $ 386,925 |
| Non-Cash Assistance (Food Distribution) | 10.555 | 64,026 |
| COVID-19 National School Lunch Program | 10.555 | 64,563 |
| Total National School Lunch Program | | 515,514 |
| School Breakfast Program | 10.553 | 154,984 |
| COVID-19 School Breakfast Program | 10.553 | 22,132 |
| Total School Breakfast Program | | 177,116 |
| Total Child Nutrition Cluster | | 692,630 |
| Total U.S. Department of Agriculture | | 692,630 |
| **U.S DEPARTMENT OF THE TREASURY** | | |
| ***Passed Through Ohio Office of Budget and Management*** | | |
| Coronavirus Relief Fund | 21.019 | 123,309 |
| Total U.S. Department of the Treasury | | 123,309 |
| **U.S. DEPARTMENT OF EDUCATION** | | |
| ***Passed Through Ohio Department of Education*** | | |
| Title I Grants to Local Educational Agencies | 84.010 | 228,049 |
| Supporting Effective Instruction State Grants | 84.367 | 69,378 |
| Education Stabilization Fund | | |
| Elementary and Secondary School Emergency Relief Fund (ESSER I) | 84.425D | 344,541 |
| Special Education Cluster: | | |
| Special Education Grants to States | 84.027 | 275,417 |
| Special Education Preschool Grants | 84.173 | 12,935 |
| Total Special Education Cluster | | 288,352 |
| Student Support and Academic Enrichment Program | 84.424 | 22,697 |
| Total U.S. Department of Education | | 953,017 |
| **Total Expenditures of Federal Awards** | | **$ 1,768,956** |

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**2 CFR 200.510(b)(6)**
**FOR THE FISCAL 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 Paulding Exempted Village School District, Paulding County, Ohio (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 or changes in net position 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 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 program that benefited from the use of those donated food commodities.

## NOTE F – TRANSFERS BETWEEN PROGRAM YEARS

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

| Program Title | CFDA Number | Amt. Transferred |
|---|---|---|
| Title I Grants to Local Educational Agencies | 84.010 | $ 71,176 |
| Supporting Effective Instruction State Grants | 84.367 | 4,807 |
| Student Support and Academic Enrichment Program | 84.424 | 851 |
| Special Education Grants to States | 84.027 | 19,205 |
| Special Education Preschool Grants | 84.173 | 1,779 |

OHIO AUDITOR OF STATE
KEITH FABER

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

Paulding Exempted Village School District
Paulding County
405 North Water Street
Paulding, Ohio 45879-1251

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Paulding Exempted Village School District, Paulding 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 January 12, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also 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 opinions 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 a 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 statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2021-001 and 2021-002.

***District's Response to Findings***

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

***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

January 12, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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

Paulding Exempted Village School District
Paulding County
405 North Water Street
Paulding, Ohio 45879-1251

To the Board of Education:

***Report on Compliance for Each Major Federal Program***

We have audited Paulding Exempted Village School District, Paulding County, Ohio's (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 each of Paulding Exempted Village School District's major federal programs 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 programs.

***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 programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Paulding Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each 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 the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

January 12, 2022

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**
**PAULDING COUNTY**

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

## 1. SUMMARY OF AUDITOR'S RESULTS

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

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

**FINDING NUMBER 2021-001**

**Noncompliance**

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

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

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

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

**Officials' Response:**

See Corrective Action Plan

**FINDING NUMBER 2021-002**

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the District's General and Food Services Funds had expenditures in excess of appropriations in the amounts of $1,923,609 and $77,480, respectively, as of June 30, 2021.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Treasurer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**Officials' Response:**

See Corrective Action Plan

**3. FINDINGS FOR FEDERAL AWARDS**

None

PAULDING EXEMPTED VILLAGE SCHOOLS

Administration · High School
Middle School · Paulding Elementary
405 N Water Street
Paulding, OH 45879
419-399-4656 · 419-399-2404 FAX

Oakwood Elementary
309 N First Street
Oakwood, OH 45873
419-594-3346 · 419-594-3929 FAX

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

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2020-001 | This finding was first reported in 2007. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. | Not corrected and reissued as Finding 2021-001 in this report. | This finding reoccurred since the District believes the excess cost associated with generating and auditing reports on a generally accepted accounting principles (GAAP) basis far outweighs the benefits. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits. |
| 2020-002 | This finding was first reported in 2019. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements. | Partially corrected and reissued in the Management Letter. | This finding reoccurred due to misposting of beginning fund balances on the budgetary statement and misposting of an incorrect prior year receipt adjustment by the compiler. In addition, there was rollback and homestead receipts misposted as property and other local taxes by the Treasurer. The Treasurer will review the financial statement errors and monitor these errors going forward. |

# PAULDING EXEMPTED VILLAGE SCHOOLS


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Oakwood Elementary
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419-594-3346 · 419-594-3929 FAX


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

| | |
|---|---|
| **Finding Number:** | 2021-001 |
| **Planned Corrective Action:** | The District believes the excess cost associated with generating and auditing reports on a generally accepted accounting principles (GAAP) basis far outweighs the benefits. The District will continue to report on an OCBOA (Other Comprehensive Basis of Accounting) basis for future audits. |
| **Anticipated Completion Date:** | N/A |
| **Responsible Contact Person:** | Kimberly Sprague, Treasurer/CFO |

| | |
|---|---|
| **Finding Number:** | 2021-002 |
| **Planned Corrective Action:** | The Treasurer will ensure actual disbursements do not exceed appropriation in all District funds. |
| **Anticipated Completion Date:** | June 30, 2022 |
| **Responsible Contact Person:** | Kimberly Sprague, Treasurer/CFO |

OHIO AUDITOR OF STATE
KEITH FABER

**PAULDING EXEMPTED VILLAGE SCHOOL DISTRICT**

**PAULDING 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 2/1/2022**

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