OHIO AUDITOR OF STATE
KEITH FABER

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY
JUNE 30, 2021

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OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

Hicksville Exempted Village School District
Defiance County
958 East High Street
Hicksville, Ohio 43526-1258

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hicksville Exempted Village School District, Defiance 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, each 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 Matters

As discussed in Note 3 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding these matters.

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 April 8, 2022, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

April 8, 2022

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HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2021

		Governmental Activities
Assets		
Equity in pooled cash and cash equivalents	$	7,162,977
Cash with escrow agent		141,194
Total assets		7,304,171
Net position		
Restricted for:		
Capital projects		1,970,667
Classroom facilities maintenance		89,842
Debt service		313,063
State funded programs		89,184
Federally funded programs		8,976
Student activities		226,217
Other purposes		15,055
Unrestricted		4,591,167
Total net position	$	7,304,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

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

		Program Receipts			Net Receipts (Disbursements) and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction:					
Regular	$ 5,765,269	$ 543,337	$ 456,143		$ (4,765,789)
Special	1,694,140	23,625	976,872		(693,643)
Vocational	121,060		16,918		(104,142)
Other	15,199		12,696		(2,503)
Support services:					
Pupil	806,525		68,718		(737,807)
Instructional staff	599,607		19,165		(580,442)
Board of education	31,600				(31,600)
Administration	792,860	2,754	7,805		(782,301)
Fiscal	361,834				(361,834)
Operations and maintenance	937,398	3,072	38,201		(896,125)
Pupil transportation	344,172		17,754	$ 51,972	(274,446)
Central	5,602				(5,602)
Operation of non-instructional services:					
Food service operations	415,843	51,982	348,511		(15,350)
Other non-instructional services	9,000		7,006		(1,994)
Extracurricular activities	536,220	134,298	35,741		(366,181)
Facilities acquisition and construction	4,109,700				(4,109,700)
Debt service:					
Principal retirement	397,000				(397,000)
Interest and fiscal charges	654,727				(654,727)
Bond issuance costs	51,715				(51,715)
Payment to refunded bond escrow agent	6,090,775				(6,090,775)
Total governmental activities	$ 23,740,246	$ 759,068	$ 2,005,530	$ 51,972	(20,923,676)

General receipts	
Property taxes levied for:	
General purposes	2,121,901
Debt service	550,270
Capital outlay	163,315
Classroom facilities maintenance	40,829
Income taxes levied for:	
General purposes	1,555,081
Grants and entitlements not restricted to specific programs	6,405,513
Issuance of refunding bonds	5,920,000
Premium on bond issuance	222,455
Investment earnings	94,912
Miscellaneous	131,704
Total general receipts	17,205,980
Change in net position	(3,717,696)
Net position at beginning of year (restated)	11,021,867
Net position at end of year	$ 7,304,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

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

	General	Academic and Athletic Building	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	$ 3,722,535	$ 1,460,103	$ 884,929	$ 1,095,410	$ 7,162,977
Cash with escrow agent		141,194			141,194
Total assets	$ 3,722,535	$ 1,601,297	$ 884,929	$ 1,095,410	$ 7,304,171
Fund balances					
Restricted:					
Debt service				$ 313,063	$ 313,063
Capital improvements		$ 1,601,297		369,370	1,970,667
Classroom facilities maintenance				89,842	89,842
State funded programs				89,184	89,184
Federally funded programs				8,976	8,976
Extracurricular				226,217	226,217
Other purposes				15,055	15,055
Committed:					
Capital improvements			$ 884,929		884,929
Assigned:					
Student instruction	$ 18,333				18,333
Student and staff support	99,734				99,734
School supplies	547				547
Unassigned (deficit)	3,603,921			(16,297)	3,587,624
Total fund balances	$ 3,722,535	$ 1,601,297	$ 884,929	$ 1,095,410	$ 7,304,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

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

	General	Academic and Athletic Building	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Receipts					
Property taxes	$ 2,121,901			$ 754,414	$ 2,876,315
Income taxes	1,555,081				1,555,081
Intergovernmental	6,912,589			1,455,091	8,367,680
Investment earnings	94,912				94,912
Tuition and fees	543,086				543,086
Extracurricular	7,646			126,722	134,368
Rental income	3,072				3,072
Charges for services	21,415			51,982	73,397
Contributions and donations	81,869			13,466	95,335
Miscellaneous	127,375			5,145	132,520
Total receipts	11,468,946			2,406,820	13,875,766
Disbursements					
Current:					
Instruction:					
Regular	5,281,892		$ 3,057	480,320	5,765,269
Special	1,318,353		1,529	374,258	1,694,140
Vocational	121,060				121,060
Other	2,750			12,449	15,199
Support services:					
Pupil	755,652			50,873	806,525
Instructional staff	580,186			19,421	599,607
Board of education	30,900			700	31,600
Administration	791,252		764	844	792,860
Fiscal	344,456			17,378	361,834
Operations and maintenance	851,878			85,520	937,398
Pupil transportation	286,959			57,213	344,172
Central	5,602				5,602
Operation of non-instructional services:					
Food service operations				415,843	415,843
Other non-instructional services	1,881			7,119	9,000
Extracurricular activities	369,444		12,337	154,439	536,220
Facilities acquisition and construction	17,448	$ 2,529,968	1,557,449	4,835	4,109,700
Debt service:					
Principal retirement	337,000			60,000	397,000
Interest and fiscal charges	77,708			577,019	654,727
Bond issuance costs				51,715	51,715
Total disbursements	11,174,421	2,529,968	1,575,136	2,369,946	17,649,471
Excess of receipts over (under) disbursements	294,525	(2,529,968)	(1,575,136)	36,874	(3,773,705)
Other financing sources (uses)					
Premium on bonds				222,455	222,455
Issuance of refunding bonds				5,920,000	5,920,000
Sale/loss of assets	2,625			1,704	4,329
Transfers in				15,529	15,529
Transfers (out)	(15,529)				(15,529)
Payment to refunded bond escrow agent				(6,090,775)	(6,090,775)
Total other financing sources (uses)	(12,904)			68,913	56,009
Net change in fund balances	281,621	(2,529,968)	(1,575,136)	105,787	(3,717,696)
Fund balances at beginning of year (restated)	3,440,914	4,131,265	2,460,065	989,623	11,021,867
Fund balances at end of year	$ 3,722,535	$ 1,601,297	$ 884,929	$ 1,095,410	$ 7,304,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE 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				
Property taxes	$ 2,061,537	$ 2,121,900	$ 2,121,901	$ 1
Income taxes	1,533,161	1,555,081	1,555,081	
Intergovernmental	6,675,784	6,893,292	6,912,589	19,297
Investment earnings	50,000	91,000	94,912	3,912
Tuition and fees	473,000	526,700	524,886	(1,814)
Extracurricular		552	552	
Rental income		3,400	3,072	(328)
Charges for services	20,000	21,100	21,415	315
Contributions and donations		68,053	68,002	(51)
Miscellaneous	11,675	124,182	124,279	97
Total receipts	10,825,157	11,405,260	11,426,689	21,429
Disbursements				
Current:				
Instruction:				
Regular	5,466,304	5,410,220	5,274,878	135,342
Special	1,329,268	1,454,571	1,316,157	138,414
Vocational	124,556	121,230	121,060	170
Other	2,750	4,121	2,750	1,371
Support services:				
Pupil	806,802	777,633	758,762	18,871
Instructional staff	611,065	616,649	588,935	27,714
Board of education	40,486	42,246	35,537	6,709
Administration	811,706	792,928	787,649	5,279
Fiscal	360,492	355,189	347,450	7,739
Operations and maintenance	957,980	919,064	894,594	24,470
Pupil transportation	396,986	312,945	298,474	14,471
Central	7,460	7,460	5,921	1,539
Operation of non-instructional services:				
Other non-instructional services		1,087	1,087	
Extracurricular activities	378,843	367,678	364,891	2,787
Facilities acquisition and construction		40,000	34,760	5,240
Debt service:				
Principal	337,000	337,000	337,000	
Interest and fiscal charges	77,849	77,849	77,708	141
Total disbursements	11,709,547	11,637,870	11,247,613	390,257
Excess of receipts over (under) disbursements	(884,390)	(232,610)	179,076	411,686
Other financing sources (uses):				
Transfers (out)	(70,000)	(20,000)	(15,529)	4,471
Sale of capital assets		2,625	2,625	
Total other financing sources (uses)	(70,000)	(17,375)	(12,904)	4,471
Net change in fund balance	(954,390)	(249,985)	166,172	416,157
Fund balance at beginning of year	3,301,138	3,301,138	3,301,138	
Prior year encumbrances appropriated	119,299	119,299	119,299	
Fund balance at end of year	$ 2,466,047	$ 3,170,452	$ 3,586,609	$ 416,157

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

Hicksville Exempted Village School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Hicksville Exempted Village School District is an exempted village school district as defined by § 3311.04 of the Ohio Revised Code. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and federal guidelines. The Board oversees the operations of the District's instructional/support facilities staffed by 38 non-certified and 86 certified teaching personnel who provide services to 853 students and other community members.

A reporting entity is comprised of the primary government and other organizations that are included to ensure 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 consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

B. Jointly Governed Organizations and Purchasing Pools

The District participates in four jointly governed organizations and three group purchasing pools. These organizations include the Northwest Ohio Computer Association (NWOCA); the Northern Buckeye Education Council; the Four County Career Center; the State Support Team Region 1 (SSTR1); the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program; the Ohio SchoolComp Group Retrospective Rating Plan; and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

The District's management believes that 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 Presentation

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

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

The statement of net position presents the 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 legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed, primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions.

The following are the District's major governmental funds:

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

Academic and Athletic Building Fund – The Academic and Athletic Building Fund accounts for and reports the proceeds of debt issued in 2020 and disbursements related to the cost of constructing a new academic and athletic facility.

Capital Projects Fund – The Capital Projects Fund accounts for and reports the receipts and disbursements related to capital outlay and capital improvement projects such as the new academic and athletic facility.

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

C. Basis of Accounting

Although Ohio Administrative Code § 117-2-03(B) requires the District's financial report to follow accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

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.

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund-object level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

E. Cash and Investments

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

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are 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, the District invested in the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, federal agency securities, commercial paper, and a U.S. Treasury money market mutual fund. Investments are reported at cost, except for STAR Ohio and the money market mutual fund. The money market mutual fund is recorded at the amount reported by U.S. Bank at June 30, 2021.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2021 amounted to $94,912, which includes $58,131 assigned from other District funds.

F. 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.

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements under the cash basis of accounting.

H. Interfund Transactions

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

J. Pensions/Other Postemployment Benefits (OPEB)

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

K. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received, and principal and interest payments are reported when paid. 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 a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either 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, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. All other net position that does not meet the definition of restricted are reported as unrestricted net position.

The District's policy is first to apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. There are no amounts restricted to enabling legislation.

M. 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.

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

<u>Committed</u> – 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.

<u>Assigned</u> – 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 designated 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.

<u>Unassigned</u> – 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 can be used.

N. 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 10 and 11, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances and Net Position

For fiscal year 2021, the District has implemented GASB Statement No. 84 "*<u>Fiduciary Activities</u>*" and GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance"*.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds or private purpose trust funds. The District reviewed its agency funds and private purpose trust funds and they have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

A fund balance restatement is required in order to implement GASB Statement No 84. The June 30, 2020, fund balances have been restated as follows:

	General Fund	Academic and Athletic Building Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund balance as previously reported	$ 3,440,914	$ 4,131,265	$ 2,460,065	$ 881,380	$ 10,913,624
GASB Statement No. 84				108,243	108,243
Restated fund balance at June 30, 2020	$ 3,440,914	$ 4,131,265	$ 2,460,065	$ 989,623	$ 11,021,867

A net position restatement is required in order to implement GASB Statement No 84. The governmental activities at June 30, 2020 have been restated as follows:

	Governmental Activities
Net cash position as previously reported	$ 10,913,624
GASB Statement No. 84	108,243
Restated net cash position at June 30, 2020	$ 11,021,867

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds or private purpose trust funds. At June 30, 2020, the assets and net position were $104,491 and $3,752 for the Agency Funds and Private Purpose Trust Funds, respectively.

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.

C. Deficit Fund Balances

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

Nonmajor Governmental Funds	Deficit
6B IDEA Restoration Grant Fund	$ 15,816
Title IV-A Fund	481

The General Fund is liable for any deficit in these funds and provides transfers when cash is required. The deficit fund balances resulted from advance spending of approved grant monies.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands 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.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions; and

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

8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively, from the purchase date in an amount not to exceed forty 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the District had $225 in undeposited cash on hand, included on the financial statements as part of Equity in pooled cash and cash equivalents.

B. Cash with Escrow Agent

At June 30, 2021, the District had $141,194 on deposit with an escrow agent for retainage held before being paid to contractors.

C. Deposits with Financial Institutions

At June 30, 2021, the carrying amount of all District deposits was $2,850,306. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, $502,509 of the District's bank balance of $2,857,612 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by: eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment, whose market value at all times shall be at least one hundred five percent of the deposits being secured; or, participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits secured or a rate set by the Treasurer of State.

D. Investments

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

		Investment Maturities				Investment Ratings	
Measurement/ Investment type	Measurement Value	Less than 1 Year	1-2 Years	More than 2 Years	% of Total	Moody's	Standard & Poor's
Cost:							
FFCB Notes	$ 714,439	$ 199,650		$ 514,789	16.57	Aaa	AA+
FHLB Notes	379,614		$ 199,614	180,000	8.80	Aaa	AA+
FHLMC Notes	284,851			284,851	6.61	Aaa	AA+
FNMA Notes	449,588		149,588	300,000	10.43	Aaa	AA+
Negotiable CDs	1,282,740	309,560	493,576	479,604	29.74	n/a	n/a
Commercial Paper	878,669	878,669			20.37	P-1	A-1 or A-1+
U.S. Treasury Money Market Mutual Fund	2,833	2,833			0.07	n/a	AAAm
Amortized Cost:							
STAR Ohio	319,712	319,712			7.41	n/a	AAAm
Total	$ 4,312,446	$ 1,710,424	$ 842,778	$ 1,759,244	100.00		

Except for STAR Ohio, which is measured at net asset value (NAV), the District's investment in a money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs) while the District's investments in federal agency securities, negotiable CDs, and commercial paper are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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 investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment for securities with fixed rates and within two years from the date of investment for securities with variable rates.

The District has no investment policy that addresses interest rate risk. As a means of limiting its exposure to fair value losses from rising interest rates and according to State law, 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 an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 270 days from the date of the purchase.

Credit Risk – The District's investment policy authorizes the Treasurer to invest a maximum of forty percent of the District's interim funds in commercial papers notes issued by a for profit corporation, business trust or association, real estate investment trust, common law trust, unincorporated business or general or limited partnerships which has assets exceeding $500,000,000. Such notes must be rated at the time of purchase in the highest classification established by at least two rating services, have an aggregate value that does not exceed ten percent of the outstanding commercial paper of the issuing entity and mature within 180 days after purchase. The investments documented in the table above carry one of the highest ratings by Moody's and Standard and Poor's.

Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statute.

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 negotiable certificates of deposit are covered by FDIC. The federal agency securities and commercial paper are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of the confirmation of 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 other than for commercial paper and banker's acceptances. The percentage of each investment type held by the District is included in the table above.

E. 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	$ 2,850,306
Investments	4,312,446
Cash with escrow agents	141,194
Cash on hand	225
Total	$ 7,304,171
Cash and investments per statement of net position	
Governmental activities	$ 7,304,171

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

In addition, 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 the cash basis. For the District this includes the following funds: Uniform School Supplies, Elementary School Incentives, Laptop Services, and Public School Support.

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

Net Change in Fund Cash Balance

	General Fund
Budget basis	$ 166,172
Funds budgeted elsewhere	62
Outstanding encumbrances	115,387
Cash basis	$ 281,621

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property, located in the District. Real and public utility property tax revenue 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 market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts 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 Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2020 First Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 101,799,070	91.73	$ 104,529,840	91.24
Public utility personal	9,183,760	8.27	10,035,160	8.76
Total	$ 110,982,830	100.00	$ 114,565,000	100.00
Tax rate per $1,000 of assessed valuation	$34.70		$38.65	

NOTE 7 – INCOME TAXES

The District levies a voted tax of .75 percent for general operations and .75 percent for permanent improvements on the income of residents and of estates. The general operating tax was effective on January 1, 1992 and is a continuing tax. The permanent improvement tax was effective on January 1, 2020 and is effective for 5 years. 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 recorded in the General Fund.

NOTE 8 – TAX ABATEMENTS

District property taxes were reduced by $103,263 for fiscal year 2021 under enterprise zone agreements entered into by Defiance County. These are agreements with local businesses under the Ohio Enterprise Zone Act (the Act), under Ohio Revised Code Section 5709.61 through 5709.66. Under the Act, the localities may grant property abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the District.

NOTE 9 – RISK MANAGEMENT

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

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, and liability. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

For fiscal year 2021, the District participated in the Ohio School Plan (the Plan), an insurance purchasing pool. The District maintains fleet insurance with the Plan. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. Settled claims have not exceeded the amount of commercial coverage in any of the past three years, and there has been no significant reduction in the amount of insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the OHI for the benefits offered to its employees, which includes health, dental, vison, and life insurance plans. Northern Buckeye Health Plan is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Ohio SchoolComp Group Retrospective Rating Plan, a voluntary performance-based incentive program offered jointly by the Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO). The intent of the program is to reward participants that are able to keep their claim costs low. Districts continue to pay their individual premium directly to the Ohio BWC. Districts will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2021 program, the evaluation periods will be 12/31/22, 12/31/23 and 12/31/24. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the District's individual premium compared to the overall program premium. Participation in the Group Retrospective Rating Plan is limited to school districts that can meet the programs selection criteria. The firm of Sedgwick Claims Management Services, Inc. provides administrative, cost control and actuarial services to the program.

NOTE 10 – 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 cash basis framework.

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

Net Pension Liability/Net OPEB Liability/(Asset)

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

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

Plan Description – The District's 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 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 $179,056 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 is 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 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. 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 $754,442 for fiscal year 2021.

Net Pension Liability

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

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03654230%	0.04392407%	
Proportion of the net pension liability current measurement date	0.03751210%	0.04477001%	
Change in proportionate share	0.00096980%	0.00084594%	
Proportionate share of the net pension liability	$ 2,481,129	$ 10,832,749	$ 13,313,878

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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 3,398,844	$ 2,481,129	$ 1,711,149

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	$ 15,423,949	$ 10,832,749	$ 6,942,090

NOTE 11 – DEFINED BENEFIT OPEB PLANS

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 10 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, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, 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. The District's surcharge obligation was $25,997 for fiscal year 2021.

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 $25,997 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, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 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	0.03756790%	0.04392407%	
Proportion of the net OPEB liability/asset current measurement date	0.03911050%	0.04477001%	
Change in proportionate share	0.00154260%	0.00084594%	
Proportionate share of the net OPEB liability (asset)	$ 849,999	$ (786,832)	$ 63,167

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 (7.00 percent decreasing to 4.75 percent).

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
District's proportionate share of the net OPEB liability	$ 1,040,378	$ 849,999	$ 698,648

	1% Decrease (6% decreasing to 3.75%	Current Trend ate (7% decreasing to 4.75%)	1% Increase (8% decreasing to 5.75%)
District's proportionate share of the net OPEB liability	$ 669,310	$ 849,999	$ 1,091,627

Actuarial Assumptions – STRS

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

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 and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate – The discount rate used to measure the total OPEB asset was 7.45 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)	$ (684,595)	$ (786,832)	$ (873,577)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB (asset)	$ (868,192)	$ (786,832)	$ (687,724)

NOTE 12 – COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn .38 vacation days per 26 bi-weekly pays, not to exceed 10 days. Employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro-rated basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to .27 of the accumulated sick leave to a maximum of 60 days.

Effective July 1, 2006, the total vacation time that an employee can accumulate at any given time can be no greater than one year plus the current year. Carryover of vacation time will be limited to no more than one year's accumulation of vacation time.

NOTE 13 – LONG-TERM OBLIGATIONS

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

	Balance 06/30/20	Additions	Reductions	Balance 06/30/21	Due Within One Year
General Obligation Bonds:					
Series 2014 Refunding					
Serial bonds	$ 5,120,000		$ (4,715,000)	$ 405,000	$ 405,000
Capital appreciation bonds	60,000		(60,000)		
Accreted interest	623,190	$ 46,810	(670,000)		
Series 2006 School Improvement	1,205,000		(1,205,000)		
Series 2021 Refunding		5,920,000		5,920,000	26,000
Total General Obligation Bonds	7,008,190	5,966,810	(6,650,000)	6,325,000	431,000
Other Obligations:					
Lease-Purchase Agreement	3,500,000		(337,000)	3,163,000	326,000
Capital Lease	103,025		(103,025)		
Total	$ 10,611,215	$ 5,966,810	$ (7,090,025)	$ 9,488,000	$ 757,000

General Obligation Bonds, Series 2014 Refunding

On October 2, 2014, the District issued $6,610,000 in School Improvement Unlimited Tax General Obligation Bonds, Series 2014. The bonds were issued to refund a portion of the general obligation serial and term bonds, series 2006. This current refunding was undertaken to reduce total future debt service payments by $362,474 and resulted in an economic gain of $285,287.

The bonds consisted of $6,470,000 in serial bonds and $140,000 in capital appreciation bonds. A portion of the serial bonds were refunded in 2021. The nonrefunded bonds in the principal amount of $405,000 mature on December 1, 2021 with interest at 2.125 percent and will be retired with proceeds of a voted property tax levy from the Bond Retirement Fund.

The capital appreciation bonds do not bear current interest but accrete in value from their date of issuance. The accreted value is compounded and presented as accreted interest until payment at maturity. The remaining capital appreciation bonds had a principal amount of $60,000 and the accreted value at maturity on December 1, 2020 was $405,000.

General Obligation Bonds, Series 2006 School Improvement

The District issued $9,930,000 in voted general obligation bonds for the purpose of constructing, renovating, and improving existing school facilities and related site development. The bonds were issued on April 4, 2006 and the stated maturity was December 1, 2033. The bond issue included $5,240,000 in serial bonds and $4,690,000 in term bonds. Several of the bonds were refunded with the proceeds from the Series 2014 general obligation bonds and the remaining outstanding bonds were refunded with the proceeds from the Series 2021 general obligation bonds.

General Obligation Bonds, Series 2021 Refunding

On January 20, 2021, the District issued $5,920,000 in School Improvement General Obligation Refunding Bonds, Series 2021. The bonds were issued to refund the general obligation bonds, series 2006 and a portion of the general obligation bonds, series 2014. This refunding was undertaken to reduce total future debt service payments by $743,272 and resulted in an economic gain of $594,585.

The bond issue consisted of $4,715,000 in term bonds, interest rate 2.53 percent, maturing December 1, 2031 and $1,205,000 of term bonds, interest rate 1.75 percent, maturing December 1, 2033. The bonds will be retired with proceeds of a voted property tax levy from the Bond Retirement Fund.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2021 are as follows:

Ending June 30,	Principal	Interest	Total
2022	$ 431,000	$ 144,355	$ 575,355
2023	426,000	134,342	560,342
2024	430,000	123,522	553,522
2025	440,000	112,523	552,523
2026	453,000	101,235	554,235
2027-2031	2,432,000	326,675	2,758,675
2032-2034	1,713,000	48,404	1,761,404
Total	$ 6,325,000	$ 991,056	$ 7,316,056

Lease-Purchase Agreement

On May 10, 2020, the District approved a $3,500,000 (1.89 percent) lease-purchase agreement through The Andover Bank for construction of a new academic/athletic building as well as new roadways for the building. The Andover Bank has a mortgage on the portion of the District's land and the Elementary/Middle/High School which the District is leasing from The Andover Bank until the debt has been paid off. Principal and interest payments will be paid from the General Fund. The lease-purchase agreement matures on December 1, 2029.

The scheduled principal and interest requirements to retire the lease-purchase obligation are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	$ 326,000	$ 56,700	$ 382,700
2023	332,000	50,482	382,482
2024	338,000	44,150	382,150
2025	345,000	37,696	382,696
2026	351,000	31,119	382,119
2027-2030	1,471,000	56,237	1,527,237
Total	$ 3,163,000	$ 276,384	$ 3,439,384

Capital Lease

In fiscal year 2017, the District acquired computers by lease agreement. The final lease payments of $117,317 were made in fiscal year 2021.

The District's overall debt margin at June 30, 2021 was $4,289,569 with an unvoted debt margin of $114,461.

NOTE 14 – SET ASIDE REQUIREMENTS

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 amounts 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	$ 169,890
Current year offsets	$ (169,890)
Set-aside balance June 30, 2021	

NOTE 15 – 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. FTE Statement No. 2 was made on November 12, 2021 and resulted in the District receiving $420 from ODE. This amount is not recorded in the financial statements.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. NWOCA is governed by the Northern Buckeye Education Council and its participating members.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were $85,703. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid $250 for services rendered by the Northern Buckeye Education Council. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to Four County Career Center during this fiscal year were $32,319. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. 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. House Bill 115 established the Educational Regional Service System and required the creation of a coordinated, integrated, and aligned system to support state and school district efforts to improve school effectiveness and student achievement. Resulting from House Bill 115, the Ohio Department of Education established a 16-region system consisting of a State Support Team for each of the 16 regions, which has a fiscal agent for each region. 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. Financial information can be obtained from the Educational Service Center of Lake Erie West, 2275 Collingwood, Toledo, Ohio 43620.

NOTE 17 – GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

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

The District contributed a total of $1,551,552 to Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period can be obtained from Charlie LeBoeuf, Treasurer, at 201 East 5th Street, Suite 2100, Cincinnati, Ohio 43502.

B. Workers' Compensation Group Rating Plan

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

Sheakley UniComp, Inc. is contracted as the workers compensation managed care organization and is responsible for managing the costs related to employee claims as well as tracking employees return to work date. Sedgwick Claims Management Services, Inc.'s Unemployment Division performs unemployment claim services for the District.

C. Ohio School Plan

The District belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 281 Ohio schools (Members).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educators legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2020 and 2019 (the latest information available):

	2020	2019
Assets	$ 13,471,241	$ 12,967,922
Liabilities	4,909,663	4,843,762
Net position	8,561,578	8,124,160

The complete audited financial statements for the Ohio School Plan can be found at the Plan's website, www.ohioschoolplan.org.

NOTE 18 – 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 reported 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	Year-End Encumbrances
General Fund	$ 117,333
Academic and Athletic Building Fund	792,707
Capital Projects Fund	645,160
Nonmajor Governmental Funds	189,921
Total	$ 1,745,121

NOTE 19 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2021 consisted of the General Fund transferring $15,529 to the Nonmajor Governmental Funds to provide funding for food service operations. Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the 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 21 – 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 $706,376 in revenues and expenditures/expenses related to these programs. Also, during fiscal year 2021, the District reported $458,416 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.

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Provided Through to Subrecipients**	**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		$ 286,524
Non-Cash Assistance (Food Distribution)	10.555		23,745
COVID-19 National School Lunch Program	10.555		27,769
Total National School Lunch Program			338,038
School Breakfast Program			
Cash Assistance	10.553		29,181
COVID-19 School Breakfast Program	10.553		1,690
Total School Breakfast Program			30,871
Total Child Nutrition Cluster			368,909
Total U.S. Department of Agriculture			368,909
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010		141,740
Supporting Effective Instruction State Grants	84.367		25,474
Student Support and Academic Enrichment Program	84.424		7,709
COVID-19 Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D		111,634
Special Education Cluster:			
Special Education Grants to States	84.027	$ 224,519	252,719
Special Education Preschool Grants	84.173	8,985	8,985
Total Special Education Cluster		233,504	261,704
English Language Acquisition State Grants	84.365	2,116	2,116
Total U.S. Department of Education		235,620	550,377
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Ohio Office of Budget and Management			
COVID-19 Coronavirus Relief Fund	21.019		173,829
Total U.S. Department of the Treasury			173,829
Total Expenditures of Federal Awards		**$ 235,620**	**$ 1,093,115**

The accompanying notes are an integral part of this schedule.

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE 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 Hicksville Exempted Village School District, Defiance 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 – SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education (ODE) to other governments or not-for-profit agencies (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – 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 F – 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 G – TRANSFERS BETWEEN PROGRAM YEARS

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

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

NOTE G – TRANSFERS BETWEEN PROGRAM YEARS – (Continued)

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	$ 11,218
Student Support and Academic Enrichment Program	84.424	3,101

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OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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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*

Hicksville Exempted Village School District
Defiance County
958 East High Street
Hicksville, Ohio 43526-1258

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hicksville Exempted Village School District, Defiance 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 April 8, 2022, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2021-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

District's Responses 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

April 8, 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

Hicksville Exempted Village School District
Defiance County
958 East High Street
Hicksville, Ohio 43526-1258

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Hicksville Exempted Village School District, Defiance 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 Hicksville 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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in finding 2021-003 in the accompanying schedule of findings, the District did not comply with requirements regarding procurement and suspension and debarment applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Hicksville Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2021.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Hicksville Exempted Village School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings 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's compliance requirement will not be prevented, or timely detected or corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2021-003.

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

This report only describes the scope of our tests of internal control over compliance 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

April 8, 2022

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HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
DEFIANCE 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)?**	Yes
(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?**	Yes
(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 for all major programs except for Child Nutrition Cluster, which we qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster Special Education Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

FINDING NUMBER 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

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Original budgeted appropriations on the Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund were overstated for regular instruction in the amount of $1,277,193.

This error was the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct this and other errors ranging from $113 to $277,306. In addition to the adjustment noted above, we also identified an additional misstatement in the amount of $100,317 that we have brought to the District's attention.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and the Board, to help identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

Child Nutrition Cluster – Procurement and Suspension and Debarment

Finding Number:	**2021-003**
CFDA Number and Title:	**CFDA # 10.553 and 10.555 Child Nutrition Cluster**
Federal Award Identification Number / Year:	**2021**
Federal Agency:	**U.S. Department of Agriculture**
Compliance Requirement:	**Procurement and Suspension and Debarment**
Pass-Through Entity:	**Ohio Department of Education**
Repeat Finding from Prior Audit?	**No**

Noncompliance and Material Weakness

2 CFR § 417.10 gives regulatory effect for the U.S. Department of Agriculture to the Office of Management and Budget (OMB) guidance, as supplemented by this part. This part adopts the OMB guidance in **subparts A through I of 2 CFR part 180**. Per **2 CFR § 417.20,** pertinent portions of the OMB guidance in **subparts A through I of 2 CFR part 180** apply to participants or principals in "covered transactions." **2 CFR 180.305** states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred, unless the Federal agency responsible for the transaction grants an exception under **2 CFR § 180.135**. "Covered transactions" include nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed $25,000 or meet certain other specified criteria outlined in **2 CFR § 180.220**. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless listed in the exemptions in **2 CFR § 180.215**.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions (www.sam.gov); collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

District Policy #6325, Procurement – Federal Grants/Funds, states that for contracts over $25,000, the District shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at www.sam.gov; collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor.

The District did not have the proper internal controls in place to verify that all entities, with whom the District had entered into covered transactions, had not been suspended or debarred. During testing of procurement and suspension and debarment for the Child Nutrition Cluster, we noted an instance in which the program had a payment to a vendor of more than $25,000 and there was no evidence the District checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. Due to the deficient internal control structure, the required verification was not completed for Arps Dairy, one of two covered transactions in the Child Nutrition Cluster during fiscal year 2021.

Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the District should verify the vendor is not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

Officials' Response:

See Corrective Action Plan

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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 management believes reporting on a basis other than generally accepted accounting principles (GAAP) is more cost efficient.
2020-002	This finding was first reported in 2020. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2021-002 in this report.	This finding reoccurred due to the compiler overlooking requirements for budgetary reporting. The District will review the financial statement errors with the firm that prepares financial reports and monitor these errors going forward.

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

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

Finding Number:	2021-002
Planned Corrective Action:	The District will review the financial statement errors with the firm that prepares financial reports and monitor these errors going forward.
Anticipated Completion Date:	June 30, 2022
Responsible Contact Person:	Michael Ruen, Treasurer/CFO

Finding Number:	2021-003
Planned Corrective Action:	The District will implement procedures to ensure that qualified vendors who receive over $25,000 of federal funds have not been suspended or debarred.
Anticipated Completion Date:	June 30, 2022
Responsible Contact Person:	Michael Ruen, Treasurer/CFO

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OHIO AUDITOR OF STATE
KEITH FABER

HICKSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/5/2022

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