



OHIO AUDITOR OF STATE
KEITH FABER



**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2021 AND 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2021	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position June 30, 2021	11
Statement of Activities For the Fiscal Year Ended June 30, 2021	12
Fund Financial Statements:	
Balance Sheet Governmental Funds June 30, 2021	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2021	15
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2021	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities For the Fiscal Year Ended June 30, 2021	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund For the Fiscal Year Ended June 30, 2021	18
Statement of Fiduciary Net Position Fiduciary Fund June 30, 2021	19
Statement of Change in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2021	20
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2021	21

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2021 AND 2020**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio Last Eight Fiscal Years.....	66
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio Last Eight Fiscal Years.....	68
Schedule of the School District's Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio Last Five Fiscal Years.....	70
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Five Fiscal Years.....	72
Schedule of the School District's Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years.....	74
Schedule of the School District's Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years.....	76
Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2021.....	78
Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2020.....	81
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position June 30, 2020.....	91
Statement of Activities For the Fiscal Year Ended June 30, 2020.....	92
Fund Financial Statements:	
Balance Sheet Governmental Funds June 30, 2020.....	94
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2020.....	95
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2020.....	96

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2021 AND 2020**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2020.....	97
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual General Fund For the Fiscal Year Ended June 30, 2020.....	98
Statement of Fiduciary Net Position Fiduciary Fund June 30, 2020.....	99
Statement of Change in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2020.....	100
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020	101
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability School Employees Retirement System of Ohio Last Seven Fiscal Years.....	146
Schedule of the School District's Proportionate Share of the Net Pension Liability State Teachers Retirement System of Ohio Last Seven Fiscal Years.....	148
Schedule of the School District Proportionate Share of the Net OPEB Liability School Employees Retirement System of Ohio Last Four Fiscal Years	150
Schedule of the School District Proportionate Share of the Net OPEB Liability (Asset) State Teachers Retirement System of Ohio Last Four Fiscal Years	151
Schedule of the School District's Contributions School Employees Retirement System of Ohio Last Ten Fiscal Years.....	152
Schedule of the School District's Contributions State Teachers Retirement System of Ohio Last Ten Fiscal Years.....	154
Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2020.....	156

HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2021 AND 2020

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	159
Schedule of Findings.....	161

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

Holgate Local School District
Henry County
801 East Joe E. Brown Avenue
Holgate, Ohio 43527

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021 and 2020, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 26 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24 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

February 24, 2022

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

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

Highlights

Highlights for fiscal year 2021 are as follows:

In total, net position decreased \$633,315, or 4 percent, from the prior fiscal year.

General revenues accounted for 78 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Holgate Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Holgate Local School District, the General Fund and the Bond Retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2021. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2021 and fiscal year 2020.

Table 1 Net Position		Governmental Activities	
	2021	2020	Change
<u>Assets:</u>			
Current and Other Assets	\$9,886,431	\$9,477,991	\$408,440
Net OPEB Asset	389,542	353,709	35,833
Capital Assets, Net	16,974,744	17,608,190	(633,446)
Total Assets	27,250,717	27,439,890	(189,173)
			(continued)

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2021	2020	Change
<u>Deferred Outflows of Resources:</u>			
Pension	\$1,289,955	\$1,157,682	\$132,273
OPEB	213,842	174,614	39,228
Total Deferred Outflows of Resources	<u>1,503,797</u>	<u>1,332,296</u>	<u>171,501</u>
<u>Liabilities:</u>			
Current and Other Liabilities	719,914	688,103	(31,811)
Long-Term Liabilities			
Pension	6,653,495	5,884,514	(768,981)
OPEB	442,122	501,133	59,011
Other Amounts	3,235,354	3,548,321	312,967
Total Liabilities	<u>11,050,885</u>	<u>10,622,071</u>	<u>(428,814)</u>
<u>Deferred Inflows of Resources:</u>			
Pension	93,664	428,038	334,374
OPEB	729,489	630,923	(98,566)
Other Amounts	2,058,761	1,636,124	(422,637)
Total Deferred Inflows of Resources	<u>2,881,914</u>	<u>2,695,085</u>	<u>(186,829)</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	14,069,838	14,384,623	(314,785)
Restricted	1,280,097	1,331,369	(51,272)
Unrestricted (Deficit)	(528,220)	(260,962)	(267,258)
Total Net Position	<u>\$14,821,715</u>	<u>\$15,455,030</u>	<u>(\$633,315)</u>

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2021, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

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

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Pension/OPEB related changes noted in the above table reflect an overall increase in deferred outflows and overall decrease in deferred inflows related to pension/OPEB. The increase in the net pension asset and decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from the changes related to pension/OPEB, there were few changes of note from the prior fiscal year. Although the increase in current and other assets was not significant overall, the increase was primarily related to a modest increase in cash and cash equivalents and property taxes receivable. The decrease in net capital assets is the result of annual depreciation. The increase in current and other liabilities was primarily due to wage and benefit related increases. The decrease in other long-term liabilities represents scheduled debt retirement.

Table 2 reflects the change in net position for fiscal year 2021 and fiscal year 2020.

Table 2
Change in Net Position

	Governmental Activities		
	2021	2020	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$591,986	\$723,606	(\$131,620)
Operating Grants and Contributions	1,119,942	781,276	338,666
Capital Grants and Contributions	0	9,487	(9,487)
Total Program Revenues	<u>1,711,928</u>	<u>1,514,369</u>	<u>197,559</u>
General Revenues			
Property Taxes	1,752,604	2,234,376	(481,772)
Income Taxes	914,484	847,288	67,196
Grants and Entitlements	3,267,085	3,255,007	12,078
Interest	9,264	82,304	(73,040)
Gifts and Donations	1,000	1,000	0
Miscellaneous	94,998	15,110	79,888
Total General Revenues	<u>6,039,435</u>	<u>6,435,085</u>	<u>(395,650)</u>
Total Revenues	<u>7,751,363</u>	<u>7,949,454</u>	<u>(198,091)</u>

(continued)

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2021	2020	Change
<u>Expenses</u>			
Instruction:			
Regular	\$3,859,249	\$3,854,336	(\$4,913)
Special	958,353	844,295	(114,058)
Vocational	162,614	145,323	(17,291)
Support Services:			
Pupils	321,927	324,987	3,060
Instructional Staff	147,734	133,301	(14,433)
Board of Education	11,464	18,025	6,561
Administration	679,839	623,215	(56,624)
Fiscal	289,848	286,636	(3,212)
Business	4,993	3,824	(1,169)
Operation and Maintenance			
of Plant	697,212	642,389	(54,823)
Pupil Transportation	237,744	257,824	20,080
Central	258,060	216,244	(41,816)
Non-Instructional Services	268,880	247,366	(21,514)
Extracurricular Activities	320,049	334,129	14,080
Interest and Fiscal Charges	166,712	177,861	11,149
Total Expenses	<u>8,384,678</u>	<u>8,109,755</u>	<u>(274,923)</u>
Decrease in Net Position	(633,315)	(160,301)	(473,014)
Net Position Beginning of Year	15,455,030	15,615,331	(160,301)
Net Position End of Year	<u>\$14,821,715</u>	<u>\$15,455,030</u>	<u>(\$633,315)</u>

Total revenues decreased approximately 2 percent, not a significant change. Changes for program revenues consisted of a decrease in charges for services largely due to fewer lunchroom sales as a result of remote and hybrid learning in fiscal year 2021 and an increase in operating grants and contributions primarily from Covid relief resources. The decrease in general revenues was primarily due to less resources available for an advance at fiscal year end when compared to the prior fiscal year.

The overall increase in expenses was not significant (3 percent).

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction:				
Regular	\$3,859,249	\$3,854,336	\$3,196,250	\$3,134,678
Special	958,353	844,295	507,160	534,358
Vocational	162,614	145,323	125,868	109,092
Support Services:				
Pupils	321,927	324,987	142,763	204,106
Instructional Staff	147,734	133,301	147,476	133,301
Board of Education	11,464	18,025	11,464	18,025
Administration	679,839	623,215	672,487	623,215
Fiscal	289,848	286,636	289,330	286,636
Business	4,993	3,824	4,993	3,824
Operation and Maintenance of Plant	697,212	642,389	666,882	642,389
Pupil Transportation	237,744	257,824	232,158	248,353
Central	258,060	216,244	253,941	212,644
Non-Instructional Services	268,880	247,366	10,932	43,665
Extracurricular Activities	320,049	334,129	244,334	223,239
Interest and Fiscal Charges	166,712	177,861	166,712	177,861
Total Expenses	<u>\$8,384,678</u>	<u>\$8,109,755</u>	<u>\$6,672,750</u>	<u>\$6,595,386</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

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

Fund balance increased 1 percent in the General Fund, not a significant change.

Fund balance decreased in the Bond Retirement Fund due to annual principal and interest and related costs exceeding property tax revenues in fiscal year 2021.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

General Fund Budgeting Highlights

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

During fiscal year 2021, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, the decrease from the original budget to the final budget was largely related to instruction costs. Changes from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the School District had \$16,974,744 invested in capital assets (net of accumulated depreciation). Additions and disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,253,000, and general obligation bonds, in the amount of \$925,000. The School District's long-term obligations also include the net pension/OPEB liability, compensated absences, and capital leases. For further information regarding the School District's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

Current Issues

While the School District's current five-year forecast reflects positive balances for fiscal years 2022 through 2024, the School District will be deficit spending beginning in fiscal year 2024.

The School District's current contract with the teachers' union will expire August 31, 2024.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kent Seemann, Treasurer, Holgate Local School District, 801 East Joe E. Brown Avenue, Holgate, Ohio 43527.

Holgate Local School District
Statement of Net Position
June 30, 2021

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,133,343
Accounts Receivable	1,346
Accrued Interest Receivable	2,100
Intergovernmental Receivable	161,583
Prepaid Items	3,118
Inventory Held for Resale	5,909
Materials and Supplies Inventory	8,589
Property Taxes Receivable	2,208,912
Income Taxes Receivable	361,531
Net OPEB Asset	389,542
Nondepreciable Capital Assets	448,987
Depreciable Capital Assets, Net	16,525,757
Total Assets	27,250,717
 <u>Deferred Outflows of Resources:</u>	
Pension	1,289,955
OPEB	213,842
Total Deferred Outflows of Resources	1,503,797
 <u>Liabilities:</u>	
Accounts Payable	27,853
Accrued Wages and Benefits Payable	550,340
Intergovernmental Payable	133,006
Accrued Interest Payable	8,715
Long-Term Liabilities:	
Due Within One Year	363,015
Due in More Than One Year	
Net Pension Liability	6,653,495
Net OPEB Liability	442,122
Other Amounts Due in More Than One Year	2,872,339
Total Liabilities	11,050,885
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	2,058,761
Pension	93,664
OPEB	729,489
Total Deferred Inflows of Resources	2,881,914
 <u>Net Position:</u>	
Net Investment in Capital Assets	14,069,838
Restricted For:	
Debt Service	618,055
Capital Projects	389,842
Other Purposes	272,200
Unrestricted (Deficit)	(528,220)
Total Net Position	\$14,821,715

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Program Revenues	
Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$3,859,249	\$473,652
Special	958,353	0
Vocational	162,614	0
Support Services:		
Pupils	321,927	3,656
Instructional Staff	147,734	0
Board of Education	11,464	0
Administration	679,839	0
Fiscal	289,848	0
Business	4,993	0
Operation and Maintenance of Plant	697,212	0
Pupil Transportation	237,744	4,050
Central	258,060	0
Non-Instructional Services	268,880	38,573
Extracurricular Activities	320,049	72,055
Interest and Fiscal Charges	166,712	0
Total Governmental Activities	8,384,678	591,986

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities Purposes
Property Taxes Levied for Debt Service Purposes
Property Taxes Levied for Permanent Improvements
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Position

Governmental
Activities

(\$3,196,250)
(507,160)
(125,868)

(142,763)
(147,476)
(11,464)
(672,487)
(289,330)
(4,993)
(666,882)
(232,158)
(253,941)
(10,932)
(244,334)
(166,712)
(6,672,750)

1,404,520
18,041
266,933
63,110
914,484
3,267,085
9,264
1,000
94,998
6,039,435

(633,315)

15,455,030
\$14,821,715

Holgate Local School District
Balance Sheet
Governmental Funds
June 30, 2021

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,847,969	\$603,281	\$682,093	\$7,133,343
Accounts Receivable	1,346	0	0	1,346
Accrued Interest Receivable	2,100	0	0	2,100
Interfund Receivable	124,081	0	0	124,081
Intergovernmental Receivable	0	0	161,583	161,583
Prepaid Items	3,016	0	102	3,118
Inventory Held for Resale	0	0	5,909	5,909
Materials and Supplies Inventory	7,420	0	1,169	8,589
Property Taxes Receivable	1,755,069	351,693	102,150	2,208,912
Income Taxes Receivable	361,531	0	0	361,531
Total Assets	<u>\$8,102,532</u>	<u>\$954,974</u>	<u>\$953,006</u>	<u>\$10,010,512</u>
<u>Liabilities:</u>				
Accounts Payable	\$5,871	\$0	\$21,982	\$27,853
Accrued Wages and Benefits Payable	519,647	0	30,693	550,340
Interfund Payable	0	0	124,081	124,081
Intergovernmental Payable	122,903	0	10,103	133,006
Total Liabilities	<u>648,421</u>	<u>0</u>	<u>186,859</u>	<u>835,280</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	1,634,634	328,204	95,923	2,058,761
Unavailable Revenue	101,044	8,120	32,350	141,514
Total Deferred Inflows of Resources	<u>1,735,678</u>	<u>336,324</u>	<u>128,273</u>	<u>2,200,275</u>
<u>Fund Balances:</u>				
Nonspendable	10,436	0	1,271	11,707
Restricted	0	618,650	638,505	1,257,155
Assigned	17,999	0	0	17,999
Unassigned (Deficit)	5,689,998	0	(1,902)	5,688,096
Total Fund Balances	<u>5,718,433</u>	<u>618,650</u>	<u>637,874</u>	<u>6,974,957</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$8,102,532</u>	<u>\$954,974</u>	<u>\$953,006</u>	<u>\$10,010,512</u>

See Accompanying Notes to the Basic Financial Statements

Hogate Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2021

Total Governmental Fund Balances \$6,974,957

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 16,974,744

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	1,083	
Accrued Interest Receivable	1,562	
Intergovernmental Receivable	30,245	
Delinquent Property Taxes Receivable	51,847	
Income Taxes Receivable	56,777	
	141,514	141,514

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(8,715)	
Loans Payable	(1,253,000)	
General Obligation Bonds Payable	(925,000)	
Compensated Absences Payable	(330,448)	
Capital Leases Payable	(726,906)	
	(3,244,069)	(3,244,069)

The net OPEB asset, net pension liability, and net OPEB liability are not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.

Net OPEB Asset	389,542	
Deferred Outflows - Pension	1,289,955	
Deferred Inflows - Pension	(93,664)	
Net Pension Liability	(6,653,495)	
Deferred Outflows - OPEB	213,842	
Deferred Inflows - OPEB	(729,489)	
Net OPEB Liability	(442,122)	
	(6,025,431)	(6,025,431)

Net Position of Governmental Activities \$14,821,715

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,434,595	\$274,872	\$83,336	\$1,792,803
Income Taxes	931,389	0	0	931,389
Intergovernmental	3,403,275	47,744	917,599	4,368,618
Interest	31,241	0	24	31,265
Tuition and Fees	477,558	0	3,656	481,214
Charges for Services	0	0	38,573	38,573
Extracurricular Activities	53	0	72,002	72,055
Gifts and Donations	1,000	0	0	1,000
Miscellaneous	94,998	0	0	94,998
Total Revenues	<u>6,374,109</u>	<u>322,616</u>	<u>1,115,190</u>	<u>7,811,915</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,313,163	0	55,509	3,368,672
Special	566,977	0	347,955	914,932
Vocational	115,966	0	11,942	127,908
Support Services:				
Pupils	244,884	0	56,996	301,880
Instructional Staff	88,817	0	33,795	122,612
Board of Education	11,464	0	0	11,464
Administration	617,976	0	17,997	635,973
Fiscal	252,868	12,814	4,639	270,321
Business	4,993	0	0	4,993
Operation and Maintenance of Plant	381,207	0	228,845	610,052
Pupil Transportation	168,389	0	12,673	181,062
Central	244,953	0	7,464	252,417
Non-Instructional Services	0	0	238,340	238,340
Extracurricular Activities	175,519	0	91,410	266,929
Capital Outlay	0	0	4,443	4,443
Debt Service:				
Principal Retirement	62,661	256,000	0	318,661
Interest and Fiscal Charges	56,028	111,905	0	167,933
Total Expenditures	<u>6,305,865</u>	<u>380,719</u>	<u>1,112,008</u>	<u>7,798,592</u>
Excess of Revenues Over (Under) Expenditures	68,244	(58,103)	3,182	13,323
Fund Balances at Beginning of Year	<u>5,650,189</u>	<u>676,753</u>	<u>634,692</u>	<u>6,961,634</u>
Fund Balances at End of Year	<u>\$5,718,433</u>	<u>\$618,650</u>	<u>\$637,874</u>	<u>\$6,974,957</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2021

Changes in Fund Balances - Total Governmental Funds \$13,323

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.

Capital Outlay - Depreciable Capital Assets	55,938	
Depreciation	<u>(685,452)</u>	(629,514)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.		(3,932)
--	--	---------

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Delinquent Property Taxes	(40,199)	
Income Taxes	(16,905)	
Intergovernmental	18,409	
Interest	(22,001)	
Tuition and Fees	<u>144</u>	(60,552)

Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position.		318,661
--	--	---------

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position.		1,221
--	--	-------

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(5,694)
--	--	---------

Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	(806,331)	
OPEB	<u>21,283</u>	(785,048)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	503,997	
OPEB	<u>14,223</u>	<u>518,220</u>

Change in Net Position of Governmental Activities		<u><u>(\$633,315)</u></u>
---	--	---------------------------

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,743,200	\$1,797,791	\$1,797,791	\$0
Income Taxes	890,000	856,620	856,620	0
Intergovernmental	3,392,500	3,403,275	3,403,275	0
Interest	45,000	42,045	42,815	770
Tuition and Fees	508,000	477,328	477,328	0
Extracurricular Activities	3,100	100	100	0
Gifts and Donations	1,000	1,000	1,000	0
Miscellaneous	34,697	63,979	94,998	31,019
Total Revenues	<u>6,617,497</u>	<u>6,642,138</u>	<u>6,673,927</u>	<u>31,789</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,404,702	3,206,024	3,302,829	(96,805)
Special	721,895	572,928	566,148	6,780
Vocational	135,359	127,283	114,942	12,341
Support Services:				
Pupils	248,668	248,736	246,335	2,401
Instructional Staff	88,185	86,885	88,438	(1,553)
Board of Education	15,126	14,026	11,536	2,490
Administration	641,594	618,931	622,064	(3,133)
Fiscal	234,752	231,809	248,084	(16,275)
Business	4,000	4,000	4,993	(993)
Operation and Maintenance of Plant	534,079	517,604	496,321	21,283
Pupil Transportation	201,736	186,781	166,429	20,352
Central	263,942	253,854	239,304	14,550
Extracurricular Activities	187,061	181,791	174,074	7,717
Total Expenditures	<u>6,681,099</u>	<u>6,250,652</u>	<u>6,281,497</u>	<u>(30,845)</u>
Excess of Revenues Over (Under) Expenditures	<u>(63,602)</u>	<u>391,486</u>	<u>392,430</u>	<u>944</u>
<u>Other Financing Sources:</u>				
Transfers In	8,869	0	0	0
Advances In	1,981	1,981	1,981	0
Total Other Financing Sources	<u>10,850</u>	<u>1,981</u>	<u>1,981</u>	<u>0</u>
Changes in Fund Balance	(52,752)	393,467	394,411	944
Fund Balance at Beginning of Year	5,550,392	5,550,392	5,550,392	0
Prior Year Encumbrances Appropriated	23,214	23,214	23,214	0
Fund Balance at End of Year	<u>\$5,520,854</u>	<u>\$5,967,073</u>	<u>\$5,968,017</u>	<u>\$944</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	<u>Private Purpose Trust</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$121,901</u>
<u>Net Position:</u>	
Held in Trust for Scholarships	<u>\$121,901</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2021

	Private Purpose Trust	Custodial
<u>Additions:</u>		
Charges Received for OHSAA	\$0	\$1,502
Interest	2,055	0
	2,055	0
 Total Additions	 2,055	 1,502
 <u>Deductions:</u>		
Non-Instructional Services	3,000	0
Distributions on Behalf of OHSAA	0	1,502
	0	1,502
 Total Deductions	 3,000	 1,502
 Change in Net Position	 (945)	 0
 Net Position at Beginning of Year	 122,846	 0
Net Position at End of Year	\$121,901	\$0

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1892. The School District serves an area of approximately fifty-four square miles. It is located in Henry County and includes all of the Village of Holgate and portions of Flatrock, Marion, Monroe, and Pleasant Townships. It is staffed by twenty-three classified employees, thirty-eight certified teaching personnel, and five administrative employees who provide services to four hundred forty-nine students and other community members. The School District currently operates one instructional building.

Reporting Entity

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

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

The School District participates in three jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Schools of Ohio Risk Sharing Authority, the Northern Buckeye Health Plan, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Holgate Community Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Holgate Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include 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. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's two major funds are the General Fund and the Bond Retirement debt service fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's private purpose trust fund accounts for college scholarships for students after graduation. The School District's custodial fund is used to account for resources held on behalf of the Ohio High School Athletic Association.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 14 and 15 to the basic financial statements.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, income taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 14 and 15 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the 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 object level for the General Fund and the fund level in all other funds. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

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 final amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During fiscal year 2021, investments included nonnegotiable certificates of deposit, mutual funds, and negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market price or current share price, except for nonnegotiable certificates of deposit which are reported at cost.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2021 was \$31,241, which includes \$5,369 assigned from other School District funds.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Capital Assets

All of the School District’s capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	15 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans and for services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

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

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

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

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

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned certain resources for certain educational or extracurricular activities.

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

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

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

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

P. Pension/Postemployment Benefits

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2021, the School District implemented GASB Implementation Guide No. 2019-1. These changes were incorporated in the School District's fiscal year 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2021, the Title I special revenue fund had a deficit fund balance, in the amount of \$1,902. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 5 - Budgetary Basis of Accounting (continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$68,244
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2020, Received in Cash FY 2021	673,733
Accrued FY 2021, Not Yet Received in Cash	(384,368)
Expenditure Accruals:	
Accrued FY 2020, Paid in Cash FY 2021	(622,520)
Accrued FY 2021, Not Yet Paid in Cash	648,421
Cash Adjustments:	
Unrecorded Activity FY 2020	10,575
Unrecorded Activity FY 2021	(122)
Prepaid Items	254
Materials and Supplies Inventory	2,124
Advances In	1,981
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(3,911)
Budget Basis	\$394,411

Note 6 - Deposits and Investments

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

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 6 - Deposits and Investments (continued)

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 6 - Deposits and Investments (continued)

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

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

Investments

Investments are reported at fair value. As of June 30, 2021, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Fair Value - Level One Inputs		
Mutual Funds	\$749,787	28 days
Fair Value - Level Two Inputs		
Negotiable Certificates of Deposit	71,001	7/9/21
Negotiable Certificates of Deposit	249,050	9/9/21
Negotiable Certificates of Deposit	498,054	9/15/21
Negotiable Certificates of Deposit	249,030	9/22/21
Negotiable Certificates of Deposit	249,040	10/22/21
Negotiable Certificates of Deposit	121,999	1/14/22
Negotiable Certificates of Deposit	249,075	4/14/22
Negotiable Certificates of Deposit	249,070	4/21/22
Negotiable Certificates of Deposit	248,933	5/27/22
Negotiable Certificates of Deposit	249,853	6/16/22
Negotiable Certificates of Deposit	249,017	6/29/22
Total Investments	<u>\$3,433,909</u>	

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2021. The School District's investment in mutual funds measured at fair value is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 6 - Deposits and Investments (continued)

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

The mutual funds carry a rating of AAA by Moody's. The negotiable certificates of deposit are covered by FDIC and/or SIPC insurance. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer or investment type. The following table indicates the percentage of investments to the School District's total portfolio:

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$2,684,122	78.2%

Note 7 - Receivables

Receivables at June 30, 2021, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Other Governmental Funds	
ESSR	\$124,050
Title I	2,728
Title II-A	20
21 st Century	29,922
REAP	151
Title IV-A	4,712
Total Governmental Activities	\$161,583

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised 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 revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2021, was \$78,813 in the General Fund, \$952 in the Classroom Maintenance special revenue fund, \$15,369 in the Bond Retirement debt service fund, and \$3,170 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2020, was \$442,009 in the General Fund, \$5,422 in the Classroom Maintenance special revenue fund, \$94,470 in the Bond Retirement debt service fund, and \$18,575 in the Permanent Improvements capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 8 - Property Taxes (continued)

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

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$63,818,620	71.60%	\$55,407,630	70.37%
Industrial/Commercial	3,444,960	3.86	2,729,570	3.47
Public Utility	21,872,020	24.54	20,598,800	26.16
Total Assessed Value	\$89,135,600	100.00%	\$78,736,000	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.86		\$37.86	

Note 9 - Income Taxes

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 10 - Capital Assets

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

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$448,987	\$0	\$0	\$448,987
Depreciable Capital Assets				
Land Improvements	2,117,888	0	0	2,117,888
Buildings and Building Improvements	21,120,562	0	0	21,120,562
Furniture, Fixtures, and Equipment	1,398,896	55,938	(24,105)	1,430,729
Vehicles	798,055	0	0	798,055
Total Depreciable Capital Assets	25,435,401	55,938	(24,105)	25,467,234

(continued)

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 10 - Capital Assets (continued)

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$1,285,789)	(\$96,015)	\$0	(\$1,381,804)
Buildings and Building Improvements	(5,719,625)	(474,606)	0	(6,194,231)
Furniture, Fixtures, and Equipment	(860,250)	(63,552)	20,173	(903,629)
Vehicles	(410,534)	(51,279)	0	(461,813)
Total Accumulated Depreciation	(8,276,198)	(685,452)	20,173	(8,941,477)
Depreciable Capital Assets, Net	17,159,203	(629,514)	(3,932)	16,525,757
Governmental Activities Capital Assets, Net	\$17,608,190	(\$629,514)	(\$3,932)	\$16,974,744

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$312,690
Special	27,828
Vocational	27,034
Support Services:	
Pupils	9,239
Instructional Staff	22,505
Administration	22,813
Fiscal	14,328
Operation and Maintenance of Plant	119,034
Pupil Transportation	52,434
Non-Instructional Services	27,378
Extracurricular Activities	50,169
Total Depreciation Expense	<u>\$685,452</u>

Note 11 - Interfund

At June 30, 2021, the General Fund had an interfund receivable, in the amount of \$124,081, from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 12 - Risk Management

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

Coverage provided through Schools of Ohio Risk Sharing Authority is as follows:

General Liability	
Per Occurrence	\$15,000,000
Total per Year	17,000,000
Vehicle Liability	15,000,000
Building and Contents	26,935,769

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

For fiscal year 2021, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 13 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2022 are as follows:

General Fund	\$3,911
Other Governmental Funds	55,076
Total	<u>\$58,987</u>

Note 14 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension/OPEB liability (asset) represents the School 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 this estimate annually.

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty 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 health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching 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. The 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

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 thirty years. 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 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 .5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 School District's contractually required contribution to SERS was \$104,291 for fiscal year 2021. Of this amount, \$32,471 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. 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 sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP 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 sixty or thirty years of service credit at any age.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 at age fifty and after termination of employment.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP 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 to apply for disability benefits. Members in the DCP 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 DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

The School District's contractually required contribution to STRS was \$399,706 for fiscal year 2021. Of this amount, \$71,180 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.01941680%	0.02135610%	
Current Measurement Date	<u>0.01951020%</u>	<u>0.02216462%</u>	
Change in Proportionate Share	<u>0.00009340%</u>	<u>0.00080852%</u>	
Proportionate Share of the Net Pension Liability	\$1,290,445	\$5,363,050	\$6,653,495
Pension Expense	\$135,866	\$670,465	\$806,331

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$2,507	\$12,033	\$14,540
Changes of Assumptions	0	287,892	287,892
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	81,917	260,806	342,723
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	2,591	138,212	140,803
School District Contributions Subsequent to the Measurement Date	<u>104,291</u>	<u>399,706</u>	<u>503,997</u>
Total Deferred Outflows of Resources	<u>\$191,306</u>	<u>\$1,098,649</u>	<u>\$1,289,955</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$34,293	\$34,293
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>21,484</u>	<u>37,887</u>	<u>59,371</u>
Total Deferred Inflows of Resources	<u>\$21,484</u>	<u>\$72,180</u>	<u>\$93,664</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

\$503,997 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,	(\$19,943)	\$180,254	\$160,311
2022	25,682	119,056	144,738
2023	34,145	177,068	211,213
2024	25,647	150,385	176,032
Total	\$65,531	\$626,763	\$692,294

Actuarial Assumptions - SERS

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

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

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.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries was based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	1.85%
U.S. Stocks	22.50	5.75
Non-U.S. Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 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 (7.5 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$1,767,753	\$1,290,445	\$889,976

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.

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 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 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

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

Asset Class	Target Allocation	Long-Term Expected 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
	<u>100.00%</u>	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a thirty 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School 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 School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 14 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$7,636,049	\$5,363,050	\$3,436,872

Social Security

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2021, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten 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 sixty-five 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 State statute. The financial report of the Plan is included in the SERS Annual Financial Report which can be obtained by visiting the 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). The 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 establishes 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 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, prorated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$14,223.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$14,223 for fiscal year 2021. Of this amount, \$14,223 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to postemployment health care.

OPEB Liability (Asset), OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	.01992740%	.02135610%	
Current Measurement Date	.02034300%	.02216462%	
Change in Proportionate Share	<u>.00041560%</u>	<u>.000808520%</u>	
Proportionate Share of the			
Net OPEB Liability	\$442,122	\$0	\$442,122
Net OPEB Asset	\$0	\$389,542	\$389,542
OPEB Expense	\$4,499	(\$25,782)	(\$21,283)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$5,807	\$24,960	\$30,767
Changes of Assumptions	75,366	6,430	81,796
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	4,982	13,652	18,634
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	63,594	4,828	68,422
School District Contributions Subsequent to the Measurement Date	14,223	0	14,223
Total Deferred Outflows of Resources	<u>\$163,972</u>	<u>\$49,870</u>	<u>\$213,842</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$224,848	\$77,592	\$302,440
Changes of Assumptions	11,136	370,000	381,136
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	0	0
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	34,574	11,339	45,913
Total Deferred Inflows of Resources	<u>\$270,558</u>	<u>\$458,931</u>	<u>\$729,489</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

\$14,223 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$20,134)	(\$103,212)	(\$123,346)
2023	(19,774)	(93,971)	(113,745)
2024	(19,833)	(90,729)	(110,562)
2025	(28,959)	(84,945)	(113,904)
2026	(24,833)	(17,565)	(42,398)
Thereafter	<u>(7,276)</u>	<u>(18,639)</u>	<u>(25,915)</u>
Total	<u>(\$120,809)</u>	<u>(\$409,061)</u>	<u>(\$529,870)</u>

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 modification 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

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

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, 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 inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the 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, 7.5 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 ten 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 SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

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 the total OPEB liability prior to June 30, 2020, 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 retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 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 Twenty-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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rates. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) or one percentage point 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 one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63)
School District's Proportionate Share of the Net OPEB Liability	\$541,144	\$442,122	\$363,396
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$348,136	\$442,122	\$567,801

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

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

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 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 were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were 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 cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 15 - Defined Benefit OPEB Plans (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS 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 of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates - 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% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$338,928	\$389,542	\$432,488
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$429,822	\$389,542	\$340,476

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to thirty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 16 - Other Employee Benefits (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty days for certified employees and two hundred days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-five days for certified employees and fifty days for classified employees.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to most employees through the Northern Buckeye Health Plan, and life insurance through American United Life.

Note 17 - Long-Term Obligations

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

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt from Direct Placement					
FY06 Loan Payable 5.06%	\$1,314,000	\$0	\$61,000	\$1,253,000	\$64,000
General Obligation Bonds from Direct Placement					
FY12 School Facilities Construction and Improvement Refunding Bonds					
Term Bonds 3 %	495,000	0	5,000	490,000	5,000
General Obligation Bonds					
FY02 School Facilities Construction and Improvement Bonds					
Term Bonds 4.9 - 6 %	625,000	0	190,000	435,000	210,000
Total General Obligation Bonds	1,120,000	0	195,000	925,000	215,000
Net Pension Liability					
SERS	1,161,741	128,704	0	1,290,445	0
STRS	4,722,773	640,277	0	5,363,050	0
Total Net Pension Liability	5,884,514	768,981	0	6,653,495	0
Net OPEB Liability					
SERS	501,133	0	59,011	442,122	0
Compensated Absences Payable	324,754	17,247	11,553	330,448	16,584
Capital Leases Payable	789,567	0	62,661	726,906	67,431
Total Governmental Activities					
Long-Term Obligations	\$9,933,968	\$786,228	\$389,225	\$10,330,971	\$363,015

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 17 - Long-Term Obligations (continued)

FY06 Loan Payable - On October 7, 2005, the School District obtained a loan, in the amount of \$1,800,000, for constructing school facilities. The loan was issued for a twenty-nine year period, with final maturity during fiscal year 2035. The loan is being retired from the Bond Retirement debt service fund.

FY 12 School Facilities Construction and Improvement Refunding Bonds - On January 12, 2012, the School District issued current refunding general obligation bonds through a direct placement, in the original amount of \$1,155,000, to refund a portion of the FY 2002 School Facilities Construction and Improvement Bonds. The refunding bond issue consists of term bonds. The bonds were issued for a twelve year period, with final maturity in fiscal year 2024. The bonds are being retired through the Bond Retirement debt service fund.

The bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2021	5,000
2022	5,000
2023	230,000

The remaining principal, in the amount of \$250,000, will be paid at stated maturity on December 1, 2024.

FY02 School Facilities Construction and Improvement Bonds - On April 15, 2002, the School District issued \$3,069,000 in voted general obligation bonds for the construction of a new elementary school and middle school. The bond issue included serial and term bonds, in the original amount of \$1,329,000 and \$1,740,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2025. During fiscal year 2012, a portion of the term bonds, in the amount of \$1,155,000, was refunded. The remaining bonds will be retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

Year	Amount
2021	210,000

The remaining principal, in the amount of \$225,000, will be paid at stated maturity on December 1, 2022.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 17 - Long-Term Obligations (continued)

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund and the Food Service, Latchkey, Athletic and Music, Student Wellness, and Title I special revenue funds. For additional information related to the net pension/OPEB liability, see Notes 14 and 15 to the basic financial statements.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$5,526,890 with an unvoted debt margin of \$78,736 at June 30, 2021.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2021, were as follows:

FY 06 Loan Payable from Direct Placement

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$64,000	\$62,149	\$126,149
2023	67,000	58,815	125,815
2024	71,000	55,303	126,303
2025	74,000	51,613	125,613
2026	78,000	47,745	125,745
2027-2031	451,000	173,543	624,543
2032-2035	448,000	46,981	494,981
Total	<u>\$1,253,000</u>	<u>\$496,149</u>	<u>\$1,749,149</u>

General Obligation Bonds

Fiscal Year Ending June 30,	<u>From Direct Placement</u>				
	Principal	Interest	Principal	Interest	Total
2022	\$5,000	\$14,625	\$210,000	\$19,800	\$249,425
2023	5,000	14,475	225,000	6,750	251,225
2024	230,000	10,950	0	0	240,950
2025	250,000	3,750	0	0	253,750
Total	<u>\$490,000</u>	<u>\$43,800</u>	<u>\$435,000</u>	<u>\$26,550</u>	<u>\$995,350</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

	Governmental Activities
Equipment	\$838,384
Less Accumulated Depreciation	(87,150)
Carrying Value at June 30, 2021	\$751,234

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

Year	Governmental Activities from Direct Placement	
	Principal	Interest
2022	\$67,431	\$51,257
2023	72,565	46,123
2024	78,090	40,598
2025	84,036	34,653
2026	90,434	28,255
2027	97,319	21,369
2028	104,729	13,960
2029	112,702	5,986
2030	19,600	181
	\$726,906	\$242,382

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 19 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$3,016	\$0	\$102	\$3,118
Materials and Supplies				
Inventory	7,420	0	1,169	8,589
Total Nonspendable	<u>10,436</u>	<u>0</u>	<u>1,271</u>	<u>11,707</u>
Restricted for:				
Athletics and Music	0	0	10,631	10,631
Coronavirus Relief	0	0	1	1
Debt Retirement	0	618,650	0	618,650
Facilities Maintenance	0	0	106,292	106,292
Food Service Operations	0	0	57,976	57,976
Latchkey	0	0	25	25
Permanent Improvements	0	0	388,228	388,228
Regular Instruction	0	0	5,300	5,300
Student Managed Activities	0	0	20,472	20,472
Student Wellness	0	0	49,578	49,578
Wellness Program	0	0	2	2
Total Restricted	<u>0</u>	<u>618,650</u>	<u>638,505</u>	<u>1,257,155</u>
Assigned for:				
Educational Activities	13,997	0	0	13,997
Extracurricular Activities	1,102	0	0	1,102
Unpaid Obligations	2,900	0	0	2,900
Total Assigned	<u>17,999</u>	<u>0</u>	<u>0</u>	<u>17,999</u>
Unassigned (Deficit)	5,689,998	0	(1,902)	5,688,096
Total Fund Balance	<u>\$5,718,433</u>	<u>\$618,650</u>	<u>\$637,874</u>	<u>\$6,974,957</u>

Note 20 - Set Asides

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 20 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance set aside for capital improvements during fiscal year 2021.

Balance June 30, 2020	\$0
Current Year Set Aside Requirement	79,150
Current Year Offsets	(69,336)
Qualifying Expenditures	(9,814)
Balance June 30, 2021	<u>\$0</u>

Note 21 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2021, the School District paid \$82,659 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities 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. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 21 - Jointly Governed Organizations (continued)

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

Note 22 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Northern Buckeye Health Plan

The Northern Buckeye Health Plan (Plan), is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Plan is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

C. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 23 - Related Organization

The Holgate Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Holgate Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Holgate Community Library, 204 Railway Avenue, Holgate, Ohio 43527.

Note 24 - Contingencies

A. Grants

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

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. The School District's September 3, 2021, and November 12, 2021, foundation settlement receipts included the FTE adjustments for fiscal year 2021. The September 3, 2021, adjustment was an increase of \$189 and the November 12, 2021, adjustment was a decrease of \$449. These amounts are not material to the financial statements and are not included in the financial statements as of June 30, 2021.

C. Litigation

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

Note 25 - Subsequent Event

For fiscal year 2022, School District foundation funding received from the State will be funded using a direct funding model. Under this new model, community school, STEM school, and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$84,516 in revenues and expenditures/expenses related to these programs.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Note 26 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

Holgate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Eight Fiscal Years (1)

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.01951020%	0.01941680%	0.02143420%	0.01758930%
School District's Proportionate Share of the Net Pension Liability	\$1,290,445	\$1,161,741	\$1,227,576	\$1,050,922
School District's Employee Payroll	\$675,757	\$672,933	\$680,785	\$579,850
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	190.96%	172.64%	180.32%	181.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.01880070%	0.01876960%	0.01941600%	0.01941600%
\$1,376,038	\$1,071,011	\$982,632	\$1,154,607
\$587,879	\$563,892	\$525,649	\$508,840
234.07%	189.93%	186.94%	226.91%
62.98%	69.16%	71.70%	65.52%

Holgate Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Eight Fiscal Years (1)

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.02216462%	0.02135610%	0.02133977%	0.02118739%
School District's Proportionate Share of the Net Pension Liability	\$5,363,050	\$4,722,773	\$4,692,136	\$5,033,109
School District's Employee Payroll	\$2,720,950	\$2,489,714	\$2,474,143	\$2,285,179
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	197.10%	189.69%	189.65%	220.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.02168214%	0.02187640%	0.02127777%	0.02127777%
\$7,257,665	\$6,045,998	\$5,175,490	\$6,165,010
\$2,341,921	\$2,278,550	\$2,182,146	\$2,255,469
309.90%	265.34%	237.17%	273.34%
66.80%	72.10%	74.70%	69.30%

Holgate Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1)

	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability	0.02034300%	0.01992740%	0.02158190%	0.01779410%
School District's Proportionate Share of the Net OPEB Liability	\$442,122	\$501,133	\$598,740	\$477,547
School District's Employee Payroll	\$675,757	\$672,933	\$680,785	\$579,850
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	65.43%	74.47%	87.95%	82.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%

(1) Information prior to 2017 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017

0.01899120%

\$541,319

\$587,879

92.08%

11.49%

Holgate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability (Asset)	0.02216462%	0.02135610%	0.02133977%	0.02118739%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$389,542)	(\$353,709)	(\$342,909)	\$826,654
School District's Employee Payroll	\$2,720,950	\$2,489,714	\$2,474,143	\$2,285,179
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.32%	-14.21%	-13.86%	36.17%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%

(1) Information prior to 2017 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

2017

0.02168214%

\$1,159,566

\$2,341,921

49.51%

37.30%

Holgate Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$104,291	\$94,606	\$90,846	\$91,906
Contributions in Relation to the Contractually Required Contribution	<u>(104,291)</u>	<u>(94,606)</u>	<u>(90,846)</u>	<u>(91,906)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$744,936	\$675,757	\$672,933	\$680,785
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.50%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	\$14,223	\$13,529	\$15,663	\$14,339
Contributions in Relation to the Contractually Required Contribution	<u>(14,223)</u>	<u>(13,529)</u>	<u>(15,663)</u>	<u>(14,339)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>1.91%</u>	<u>2.00%</u>	<u>2.33%</u>	<u>2.11%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.91%</u>	<u>16.00%</u>	<u>15.83%</u>	<u>15.61%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$81,179	\$82,303	\$74,321	\$72,855	\$70,423	\$68,836
<u>(81,179)</u>	<u>(82,303)</u>	<u>(74,321)</u>	<u>(72,855)</u>	<u>(70,423)</u>	<u>(68,836)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$579,850	\$587,879	\$563,892	\$525,649	\$508,840	\$511,795
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
\$9,444	\$9,347	\$14,148	\$10,176	\$9,929	\$10,475
<u>(9,444)</u>	<u>(9,347)</u>	<u>(14,148)</u>	<u>(10,176)</u>	<u>(9,929)</u>	<u>(10,475)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.63%</u>	<u>1.59%</u>	<u>2.51%</u>	<u>1.94%</u>	<u>1.95%</u>	<u>2.05%</u>
<u>15.63%</u>	<u>15.59%</u>	<u>15.69%</u>	<u>15.80%</u>	<u>15.79%</u>	<u>15.50%</u>

Holgate Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$399,706	\$380,933	\$348,560	\$346,380
Contributions in Relation to the Contractually Required Contribution	<u>(399,706)</u>	<u>(380,933)</u>	<u>(348,560)</u>	<u>(346,380)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,855,043	\$2,720,950	\$2,489,714	\$2,474,143
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$319,925	\$327,869	\$318,997	\$283,679	\$293,211	\$283,730
<u>(319,925)</u>	<u>(327,869)</u>	<u>(318,997)</u>	<u>(283,679)</u>	<u>(293,211)</u>	<u>(283,730)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,285,179	\$2,341,921	\$2,278,550	\$2,182,146	\$2,255,469	\$2,182,538
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
\$0	\$0	\$0	\$21,821	\$22,555	\$21,825
<u>0</u>	<u>0</u>	<u>0</u>	<u>(21,821)</u>	<u>(22,555)</u>	<u>(21,825)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Holgate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Holgate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2021	2.45 percent
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2021	2.63 percent
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)”, and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Holgate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims cost process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, there was no change to the claims cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the 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.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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

Highlights

Highlights for fiscal year 2020 are as follows:

In total, net position decreased \$160,301, or 1 percent, from the prior fiscal year.

General revenues accounted for 81 percent of total revenues and reflect the School District's significant dependence on property taxes, income taxes, and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Holgate Local School District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Holgate Local School District, the General Fund and the Bond Retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2020. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Bond Retirement debt service fund.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

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

Table 1 Net Position			
Governmental Activities			
	2020	2019	Change
<u>Assets:</u>			
Current and Other Assets	\$9,477,991	\$8,872,485	\$605,506
Net OPEB Asset	353,709	342,909	10,800
Capital Assets, Net	17,608,190	18,067,386	(459,196)
Total Assets	<u>27,439,890</u>	<u>27,282,780</u>	<u>157,110</u>

(continued)

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		Change
	2020	2019	
<u>Deferred Outflows of Resources:</u>			
Pension	\$1,157,682	\$1,655,262	(\$497,580)
OPEB	174,614	159,006	15,608
Total Deferred Outflows of Resources	<u>1,332,296</u>	<u>1,814,268</u>	<u>(481,972)</u>
<u>Liabilities:</u>			
Current and Other Liabilities	688,103	613,089	(75,014)
Long-Term Liabilities			
Pension	5,884,514	5,919,712	35,198
OPEB	501,133	598,740	97,607
Other Amounts	3,548,321	3,821,543	273,222
Total Liabilities	<u>10,622,071</u>	<u>10,953,084</u>	<u>331,013</u>
<u>Deferred Inflows of Resources:</u>			
Pension	428,038	498,428	70,390
OPEB	630,923	616,949	(13,974)
Other Amounts	1,636,124	1,413,256	(222,868)
Total Deferred Inflows of Resources	<u>2,695,085</u>	<u>2,528,633</u>	<u>(166,452)</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	14,384,623	14,542,002	(157,379)
Restricted	1,331,369	1,412,861	(81,492)
Unrestricted (Deficit)	(260,962)	(339,532)	78,570
Total Net Position	<u>\$15,455,030</u>	<u>\$15,615,331</u>	<u>(\$160,301)</u>

The net pension liability and net OPEB liability (asset) reported by the School District at June 30, 2020, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", respectively. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability (asset) to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

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

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Pension/OPEB related changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows related to pension/OPEB. The increase in the net pension asset and decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension/OPEB benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension/OPEB liability (asset).

Aside from the changes related to pension/OPEB, there were few changes of note from the prior fiscal year. The increase in current and other assets was primarily related to an increase in cash and cash equivalents and property taxes receivable. The increase in cash and cash equivalents is the result of the excess of revenues over expenses in the General Fund. The increase in the receivable for property taxes is due to the increase in the assessed valuation of property, primarily public utility property with the installation of the Rover Pipeline. The decrease in net capital assets is the result of annual depreciation. The decrease in other long-term liabilities represents scheduled debt retirement.

Table 2 reflects the change in net position for fiscal year 2020 and fiscal year 2019.

Table 2
Change in Net Position

	Governmental Activities		
	2020	2019	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$723,606	\$788,312	(\$64,706)
Operating Grants and Contributions	781,276	674,519	106,757
Capital Grants and Contributions	9,487	0	9,487
Total Program Revenues	<u>1,514,369</u>	<u>1,462,831</u>	<u>51,538</u>
General Revenues			
Property Taxes	2,234,376	2,305,100	(70,724)
Income Taxes	847,288	859,514	(12,226)
Grants and Entitlements	3,255,007	3,358,184	(103,177)
Interest	82,304	96,786	(14,482)
Gifts and Donations	1,000	1,000	0
Miscellaneous	15,110	75,938	(60,828)
Total General Revenues	<u>6,435,085</u>	<u>6,696,522</u>	<u>(261,437)</u>
Total Revenues	<u>7,949,454</u>	<u>8,159,353</u>	<u>(209,899)</u>

(continued)

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2020	2019	Change
<u>Expenses</u>			
Instruction:			
Regular	\$3,854,336	\$3,039,465	(\$814,871)
Special	844,295	761,025	(83,270)
Vocational	145,323	122,530	(22,793)
Support Services:			
Pupils	324,987	322,825	(2,162)
Instructional Staff	133,301	104,513	(28,788)
Board of Education	18,025	13,819	(4,206)
Administration	623,215	557,580	(65,635)
Fiscal	286,636	221,815	(64,821)
Business	3,824	3,916	92
Operation and Maintenance of Plant	642,389	621,219	(21,170)
Pupil Transportation	257,824	251,932	(5,892)
Central	216,244	211,660	(4,584)
Non-Instructional Services	247,366	248,713	1,347
Extracurricular Activities	334,129	345,261	11,132
Interest and Fiscal Charges	177,861	144,062	(33,799)
Total Expenses	<u>8,109,755</u>	<u>6,970,335</u>	<u>(1,139,420)</u>
Increase (Decrease) in Net Position	(160,301)	1,189,018	(1,349,319)
Net Position Beginning of Year	15,615,331	14,426,313	1,189,018
Net Position End of Year	<u>\$15,455,030</u>	<u>\$15,615,331</u>	<u>(\$160,301)</u>

Total revenues decreased approximately 2.6 percent, not a significant change. The increase in expenses was due to an overall increase in the net pension/OPEB expense from the prior fiscal year.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction:				
Regular	\$3,854,336	\$3,039,465	\$3,134,678	\$2,300,106
Special	844,295	761,025	534,358	455,645
Vocational	145,323	122,530	109,092	86,299
Support Services:				
Pupils	324,987	322,825	204,106	312,684
Instructional Staff	133,301	104,513	133,301	104,513
Board of Education	18,025	13,819	18,025	13,819
Administration	623,215	557,580	623,215	557,580
Fiscal	286,636	221,815	286,636	221,815
Business	3,824	3,916	3,824	3,916
Operation and Maintenance of Plant	642,389	621,219	642,389	621,219
Pupil Transportation	257,824	251,932	248,353	244,988
Central	216,244	211,660	212,644	208,060
Non-Instructional Services	247,366	248,713	43,665	6,503
Extracurricular Activities	334,129	345,261	223,239	226,295
Interest and Fiscal Charges	177,861	144,062	177,861	144,062
Total Expenses	<u>\$8,109,755</u>	<u>\$6,970,335</u>	<u>\$6,595,386</u>	<u>\$5,507,504</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

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

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Fund balance increased 7 percent in the General Fund despite a decrease in revenues from the prior fiscal year (over 3 percent). However, there was a 10 percent decrease in expenditures, primarily in the operation and maintenance program and due to heating/cooling and lighting improvements in fiscal year 2019 which increased expenditures in that fiscal year.

The change in fund balance in the Bond Retirement fund was not significant.

General Fund Budgeting Highlights

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

During fiscal year 2020, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were not significant. Changes from the final budget to actual revenues were generally due to conservative revenue estimates. For expenditures, changes from the original budget to the final budget as well as from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the School District had \$17,608,190 invested in capital assets (net of accumulated depreciation). Additions included new boilers, a tractor, and a bus. Disposals included tractor and a bus. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end included long-term loans, in the amount of \$1,314,000, and general obligation bonds, in the amount of \$1,120,000. The School District's long-term obligations also include the net pension/OPEB liability, compensated absences, and capital leases. For further information regarding the School District's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

Current Issues

While the School District's current five-year forecast reflects positive balances for fiscal years 2020 through 2024, the School District will be deficit spending beginning in fiscal year 2024.

The School District's current contract with the teachers' union will expire August 31, 2021.

The School District has been experiencing declining enrollment and with so many residents' employment tied to the automotive industry and the difficulties this industry is encountering, a continued decline in enrollment is certainly possible.

Holgate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kent Seemann, Treasurer, Holgate Local School District, 801 East Joe E. Brown Avenue, Holgate, Ohio 43527.

This Page Intentionally Left Blank

Holgate Local School District
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,761,712
Accounts Receivable	1,019
Accrued Interest Receivable	25,222
Intergovernmental Receivable	75,441
Prepaid Items	3,392
Inventory Held for Resale	8,481
Materials and Supplies Inventory	10,411
Property Taxes Receivable	2,288,646
Income Taxes Receivable	303,667
Net OPEB Asset	353,709
Nondepreciable Capital Assets	448,987
Depreciable Capital Assets, Net	17,159,203
Total Assets	<u>27,439,890</u>
 <u>Deferred Outflows of Resources:</u>	
Pension	1,157,682
OPEB	174,614
Total Deferred Outflows of Resources	<u>1,332,296</u>
 <u>Liabilities:</u>	
Accounts Payable	43,042
Accrued Wages and Benefits Payable	524,482
Intergovernmental Payable	106,846
Matured Compensated Absences Payable	3,797
Accrued Interest Payable	9,936
Long-Term Liabilities:	
Due Within One Year	339,362
Due in More Than One Year	
Net Pension Liability	5,884,514
Net OPEB Liability	501,133
Other Amounts Due in More Than One Year	3,208,959
Total Liabilities	<u>10,622,071</u>
 <u>Deferred Inflows of Resources:</u>	
Property Taxes Receivable	1,636,124
Pension	428,038
OPEB	630,923
Total Deferred Inflows of Resources	<u>2,695,085</u>
 <u>Net Position:</u>	
Net Investment in Capital Assets	14,384,623
Restricted For:	
Debt Service	682,876
Capital Projects	325,897
Other Purposes	322,596
Unrestricted (Deficit)	(260,962)
Total Net Position	<u><u>\$15,455,030</u></u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,854,336	\$516,229	\$203,429	\$0
Special	844,295	0	309,937	0
Vocational	145,323	0	36,231	0
Support Services:				
Pupils	324,987	2,030	118,851	0
Instructional Staff	133,301	0	0	0
Board of Education	18,025	0	0	0
Administration	623,215	0	0	0
Fiscal	286,636	0	0	0
Business	3,824	0	0	0
Operation and Maintenance of Plant	642,389	0	0	0
Pupil Transportation	257,824	9,471	0	0
Central	216,244	0	3,600	0
Non-Instructional Services	247,366	94,473	109,228	0
Extracurricular Activities	334,129	101,403	0	9,487
Interest and Fiscal Charges	177,861	0	0	0
Total Governmental Activities	<u>8,109,755</u>	<u>723,606</u>	<u>781,276</u>	<u>9,487</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities Purposes
Property Taxes Levied for Debt Service Purposes
Property Taxes Levied for Permanent Improvements
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Position

Governmental
Activities

(\$3,134,678)
(534,358)
(109,092)

(204,106)
(133,301)
(18,025)
(623,215)
(286,636)
(3,824)
(642,389)
(248,353)
(212,644)
(43,665)
(223,239)
(177,861)
(6,595,386)

1,765,368
22,410
368,073
78,525
847,288
3,255,007
82,304
1,000
15,110
6,435,085

(160,301)

15,615,331
\$15,455,030

Holgate Local School District
Balance Sheet
Governmental Funds
June 30, 2020

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,566,080	\$582,283	\$613,349	\$6,761,712
Accounts Receivable	1,019	0	0	1,019
Accrued Interest Receivable	25,222	0	0	25,222
Interfund Receivable	20,082	0	0	20,082
Intergovernmental Receivable	0	0	75,441	75,441
Prepaid Items	3,270	0	122	3,392
Inventory Held for Resale	0	0	8,481	8,481
Materials and Supplies Inventory	9,544	0	867	10,411
Property Taxes Receivable	1,814,897	371,042	102,707	2,288,646
Income Taxes Receivable	303,667	0	0	303,667
Total Assets	<u>\$7,743,781</u>	<u>\$953,325</u>	<u>\$800,967</u>	<u>\$9,498,073</u>
<u>Liabilities:</u>				
Accounts Payable	\$29,901	\$0	\$13,141	\$43,042
Accrued Wages and Benefits Payable	490,312	0	34,170	524,482
Interfund Payable	0	0	20,082	20,082
Intergovernmental Payable	98,510	0	8,336	106,846
Matured Compensated Absences Payable	3,797	0	0	3,797
Total Liabilities	<u>622,520</u>	<u>0</u>	<u>75,729</u>	<u>698,249</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes Receivable	1,301,191	260,513	74,420	1,636,124
Unavailable Revenue	169,881	16,059	16,126	202,066
Total Deferred Inflows of Resources	<u>1,471,072</u>	<u>276,572</u>	<u>90,546</u>	<u>1,838,190</u>
<u>Fund Balances:</u>				
Nonspendable	12,814	0	989	13,803
Restricted	0	676,753	642,544	1,319,297
Assigned	22,572	0	0	22,572
Unassigned (Deficit)	5,614,803	0	(8,841)	5,605,962
Total Fund Balances	<u>5,650,189</u>	<u>676,753</u>	<u>634,692</u>	<u>6,961,634</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$7,743,781</u>	<u>\$953,325</u>	<u>\$800,967</u>	<u>\$9,498,073</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2020

Total Governmental Fund Balances \$6,961,634

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 17,608,190

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	939	
Accrued Interest Receivable	23,563	
Intergovernmental Receivable	11,836	
Delinquent Property Taxes Receivable	92,046	
Income Taxes Receivable	73,682	
		202,066

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(9,936)	
Loans Payable	(1,314,000)	
General Obligation Bonds Payable	(1,120,000)	
Compensated Absences Payable	(324,754)	
Capital Leases Payable	(789,567)	
		(3,558,257)

The net OPEB asset, net pension liability, and net OPEB liability are not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.

Net OPEB Asset	353,709	
Deferred Outflows - Pension	1,157,682	
Deferred Inflows - Pension	(428,038)	
Net Pension Liability	(5,884,514)	
Deferred Outflows - OPEB	174,614	
Deferred Inflows - OPEB	(630,923)	
Net OPEB Liability	(501,133)	
		(5,758,603)

Net Position of Governmental Activities \$15,455,030

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,785,724	\$372,608	\$102,014	\$2,260,346
Income Taxes	829,791	0	0	829,791
Intergovernmental	3,389,633	50,093	602,436	4,042,162
Interest	69,976	0	39	70,015
Tuition and Fees	525,099	0	2,030	527,129
Charges for Services	0	0	94,473	94,473
Extracurricular Activities	230	0	101,173	101,403
Gifts and Donations	1,000	0	0	1,000
Miscellaneous	15,488	0	274	15,762
Total Revenues	<u>6,616,941</u>	<u>422,701</u>	<u>902,439</u>	<u>7,942,081</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,265,899	0	103,474	3,369,373
Special	603,073	0	213,241	816,314
Vocational	108,462	0	4,336	112,798
Support Services:				
Pupils	291,587	0	19,392	310,979
Instructional Staff	83,811	0	25,138	108,949
Board of Education	18,025	0	0	18,025
Administration	565,278	0	0	565,278
Fiscal	236,839	10,497	1,521	248,857
Business	3,824	0	0	3,824
Operation and Maintenance of Plant	391,970	0	218,032	610,002
Pupil Transportation	169,869	0	98,695	268,564
Central	203,928	0	3,600	207,528
Non-Instructional Services	0	0	203,539	203,539
Extracurricular Activities	183,732	0	97,404	281,136
Capital Outlay	0	0	21,044	21,044
Debt Service:				
Principal Retirement	48,817	238,000	15,000	301,817
Interest and Fiscal Charges	50,090	128,634	327	179,051
Total Expenditures	<u>6,225,204</u>	<u>377,131</u>	<u>1,024,743</u>	<u>7,627,078</u>
Excess of Revenues Over (Under) Expenditures	<u>391,737</u>	<u>45,570</u>	<u>(122,304)</u>	<u>315,003</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	15,327	15,327
Transfers Out	0	(15,327)	0	(15,327)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(15,327)</u>	<u>15,327</u>	<u>0</u>
Changes in Fund Balances	391,737	30,243	(106,977)	315,003
Fund Balances at Beginning of Year	<u>5,258,452</u>	<u>646,510</u>	<u>741,669</u>	<u>6,646,631</u>
Fund Balances at End of Year	<u>\$5,650,189</u>	<u>\$676,753</u>	<u>\$634,692</u>	<u>\$6,961,634</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2020

Changes in Fund Balances - Total Governmental Funds		\$315,003
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.</p>		
Capital Outlay - Depreciable Capital Assets	214,574	
Capital Contributions	9,487	
Depreciation	(689,712)	(465,651)
<p>The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a gain on disposal of capital assets on the statement of activities.</p>		
		6,455
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(25,970)	
Income Taxes	17,497	
Intergovernmental	(5,879)	
Interest	12,289	
Miscellaneous	(7,107)	
Tuition and Fees	601	(8,569)
<p>Repayment of principal is an expenditure in governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
		301,817
<p>Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
		1,190
<p>Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(28,595)
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.</p>		
Pension	(867,531)	
OPEB	96,512	(771,019)
<p>Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.</p>		
Pension	475,539	
OPEB	13,529	489,068
Change in Net Position of Governmental Activities		(\$160,301)

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,518,000	\$1,518,000	\$1,746,411	\$228,411
Income Taxes	854,320	854,320	884,758	30,438
Intergovernmental	3,458,123	3,363,820	3,434,866	71,046
Interest	60,000	57,509	69,693	12,184
Tuition and Fees	545,075	521,147	526,958	5,811
Extracurricular Activities	3,300	150	150	0
Gifts and Donations	1,200	1,000	1,000	0
Miscellaneous	35,440	27,201	48,484	21,283
Total Revenues	<u>6,475,458</u>	<u>6,343,147</u>	<u>6,712,320</u>	<u>369,173</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,278,106	3,300,593	3,255,783	44,810
Special	628,659	575,907	603,836	(27,929)
Vocational	118,659	118,755	108,113	10,642
Support Services:				
Pupils	335,110	289,163	286,575	2,588
Instructional Staff	85,596	85,596	83,710	1,886
Board of Education	13,655	17,052	18,043	(991)
Administration	582,136	570,684	554,144	16,540
Fiscal	233,255	247,902	239,821	8,081
Business	4,000	4,000	3,824	176
Operation and Maintenance of Plant	597,371	589,645	494,798	94,847
Pupil Transportation	192,764	183,747	168,804	14,943
Central	218,864	218,864	203,727	15,137
Extracurricular Activities	176,836	172,575	183,043	(10,468)
Total Expenditures	<u>6,465,011</u>	<u>6,374,483</u>	<u>6,204,221</u>	<u>170,262</u>
Excess of Revenues Over (Under) Expenditures	<u>10,447</u>	<u>(31,336)</u>	<u>508,099</u>	<u>539,435</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	2,500	2,418	2,418	0
Advances Out	0	(1,981)	(1,981)	0
Total Other Financing Sources (Uses)	<u>2,500</u>	<u>437</u>	<u>437</u>	<u>0</u>
Changes in Fund Balance	12,947	(30,899)	508,536	539,435
Fund Balance at Beginning of Year	5,022,572	5,022,572	5,022,572	0
Prior Year Encumbrances Appropriated	19,284	19,284	19,284	0
Fund Balance at End of Year	<u>\$5,054,803</u>	<u>\$5,010,957</u>	<u>\$5,550,392</u>	<u>\$539,435</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

	<u>Private Purpose Trust</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$122,846</u>
<u>Net Position:</u>	
Held in Trust for Scholarships	<u>\$122,846</u>

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust	Custodial
<u>Additions:</u>		
Charges Received for OHSAA	\$0	\$4,566
Interest	5,392	0
	5,392	0
Total Additions	5,392	4,566
<u>Deductions:</u>		
Non-Instructional Services	4,000	0
Distributions on Behalf of OHSAA	0	4,566
	4,000	4,566
Total Deductions	4,000	4,566
Change in Net Position	1,392	0
Net Position at Beginning of Year	121,454	0
Net Position at End of Year	\$122,846	\$0

See Accompanying Notes to the Basic Financial Statements

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1892. The School District serves an area of approximately fifty-four square miles. It is located in Henry County and includes all of the Village of Holgate and portions of Flatrock, Marion, Monroe, and Pleasant Townships. It is staffed by twenty-three classified employees, thirty-eight certified teaching personnel, and five administrative employees who provide services to four hundred sixty students and other community members. The School District currently operates one instructional building.

Reporting Entity

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

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

The School District participates in three jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Schools of Ohio Risk Sharing Authority, the Northern Buckeye Health Plan, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Holgate Community Library. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Holgate Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include 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. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's two major funds are the General Fund and the Bond Retirement debt service fund.

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's private purpose trust fund accounts for college scholarships for students after graduation. The School District's custodial fund is used to account for resources held on behalf of the Ohio High School Athletic Association.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

Like the government-wide financial statements, fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from fiduciary funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB and explained in Notes 14 and 15 to the basic financial statements.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, income taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 14 and 15 to the basic financial statements.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the 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 object level for the General Fund and the fund level in all other funds. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During fiscal year 2020, investments included nonnegotiable certificates of deposit, mutual funds, and negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market price or current share price, except for nonnegotiable certificates of deposit which are reported at cost.

The Board of Education allocates interest according to State statute. Interest revenue credited to the General Fund during fiscal year 2020 was \$69,976, which includes \$11,801 assigned from other School District funds.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Capital Assets

All of the School District’s capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 40 years
Buildings and Building Improvements	20 - 75 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	15 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans and for services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

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

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

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

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

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

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned certain resources for certain educational or extracurricular activities.

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

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

O. Capital Contributions

Capital contributions arise from contributions from outside sources.

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

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

Q. Pension/Postemployment Benefits

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

R. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2020, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 90, "Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61", and related guidance from GASB Implementation Guide 2019-2, "Fiduciary Activities".

For fiscal year 2020, the School District also implemented GASB Implementation Guide No. 2018-1. These changes were incorporated in the School District's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding of the equity interest meets the definition of an investment. These changes were incorporated in the School District's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2020, the Title I special revenue fund had a deficit fund balance, in the amount of \$8,841. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 - Budgetary Basis of Accounting (continued)

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$391,737
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2019, Received in Cash FY 2020	775,127
Accrued FY 2020, Not Yet Received in Cash	(673,733)
Expenditure Accruals:	
Accrued FY 2019, Paid in Cash FY 2020	(575,722)
Accrued FY 2020, Not Yet Paid in Cash	622,520
Cash Adjustments:	
Unrecorded Activity FY 2019	4,560
Unrecorded Activity FY 2020	(10,575)
Prepaid Items	303
Materials and Supplies Inventory	(2,904)
Advances In	2,418
Advances Out	(1,981)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(23,214)
Budget Basis	\$508,536

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments

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

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

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 2 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 and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

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

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

Investments

Investments are reported at fair value. As of June 30, 2020, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>
Fair Value - Level One Inputs		
Mutual Funds	\$270,572	43 days
Fair Value - Level Two Inputs		
Negotiable Certificates of Deposit	50,144	9/2/20
Negotiable Certificates of Deposit	737,211	9/4/20
Negotiable Certificates of Deposit	245,813	9/11/20
Negotiable Certificates of Deposit	246,443	9/18/20
Negotiable Certificates of Deposit	246,152	10/9/20
Negotiable Certificates of Deposit	123,061	1/22/21
Negotiable Certificates of Deposit	248,943	3/10/21
Negotiable Certificates of Deposit	247,029	4/22/21
Negotiable Certificates of Deposit	246,833	4/23/21
Negotiable Certificates of Deposit	248,983	6/18/21
Negotiable Certificates of Deposit	249,988	6/10/21
Negotiable Certificates of Deposit	249,975	6/28/21
Total Investments	<u>\$3,411,147</u>	

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Deposits and Investments (continued)

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2020. The School District's investment in mutual funds measured at fair value are valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

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

The mutual funds carry a rating of AAA by Moody's. The negotiable certificates of deposit are covered by FDIC and/or SIPC insurance. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer or investment type. The following table indicates the percentage of investments to the School District's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$3,140,575	92.1%

Note 7 - Receivables

Receivables at June 30, 2020, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, property taxes, and income taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Other Governmental Funds	
Title I	\$7,962
Title II-A	531
21 st Century	52,494
Title IV-A	<u>14,454</u>
Total Governmental Activities	<u>\$75,441</u>

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, 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 revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, 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 School District receives property taxes from Henry County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2020, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Property Taxes (continued)

The amount available as an advance at June 30, 2020, was \$442,009 in the General Fund, \$5,422 in the Classroom Maintenance special revenue fund, \$94,470 in the Bond Retirement debt service fund, and \$18,575 in the Permanent Improvements capital projects fund. The amount available as an advance at June 30, 2019, was \$402,696 in the General Fund, \$4,902 in the Classroom Maintenance special revenue fund, \$85,892 in the Bond Retirement debt service fund, and \$16,739 in the Permanent Improvements capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

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

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$63,800,440	85.95%	\$63,818,620	71.60%
Industrial/Commercial	3,453,230	4.65	3,444,960	3.86
Public Utility	6,975,390	9.40	21,872,020	24.54
Total Assessed Value	<u>\$74,229,060</u>	<u>100.00%</u>	<u>\$89,135,600</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.85		\$37.86	

Note 9 - Income Taxes

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$448,987	\$0	\$0	\$448,987
Depreciable Capital Assets				
Land Improvements	2,117,888	0	0	2,117,888
Buildings and Building Improvements	21,048,551	72,011	0	21,120,562
Furniture, Fixtures, and Equipment	1,327,778	87,618	(16,500)	1,398,896
Vehicles	738,836	82,437	(23,218)	798,055
Total Depreciable Capital Assets	25,233,053	242,066	(39,718)	25,435,401
Less Accumulated Depreciation				
Land Improvements	(1,189,774)	(96,015)	0	(1,285,789)
Buildings and Building Improvements	(5,245,939)	(473,686)	0	(5,719,625)
Furniture, Fixtures, and Equipment	(795,095)	(70,105)	4,950	(860,250)
Vehicles	(383,846)	(49,906)	23,218	(410,534)
Total Accumulated Depreciation	(7,614,654)	(689,712)	28,168	(8,276,198)
Depreciable Capital Assets, Net	17,618,399	(447,646)	(11,550)	17,159,203
Governmental Activities Capital Assets, Net	\$18,067,386	(\$447,646)	(\$11,550)	\$17,608,190

Governmental activities accepted a contribution of capital assets from outside sources, with a fair value of \$9,487, during 2020.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$315,181
Special	27,941
Vocational	27,316
Support Services:	
Pupils	9,239
Instructional Staff	22,505
Administration	25,445
Fiscal	14,269
Operation and Maintenance of Plant	116,223
Pupil Transportation	51,060
Non-Instructional Services	30,336
Extracurricular Activities	50,197
Total Depreciation Expense	<u>\$689,712</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - Interfund

At June 30, 2020, the General Fund had an interfund receivable, in the amount of \$20,082, from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted for the following insurance coverage.

Coverage provided through Schools of Ohio Risk Sharing Authority is as follows:

General Liability	
Per Occurrence	\$15,000,000
Total per Year	17,000,000
Vehicle Liability	15,000,000
Building and Contents	26,928,920

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

For fiscal year 2020, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 13 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2021 are as follows:

General Fund	\$23,214
Other Governmental Funds	65,635
Total	<u>\$88,849</u>

Note 14 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension/OPEB liability (asset) represents the School 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 this estimate annually.

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty 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 health care to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District nonteaching 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. The 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

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 thirty years. 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 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

The School District's contractually required contribution to SERS was \$94,606 for fiscal year 2020. Of this amount, \$17,026 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. 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 sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP 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 sixty or thirty years of service credit at any age.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate is deposited into the member's DCP account and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 at age fifty and after termination of employment.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP 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 to apply for disability benefits. Members in the DCP 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 DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, the employer and employee rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

The School District's contractually required contribution to STRS was \$380,933 for fiscal year 2020. Of this amount, \$64,392 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02143420%	0.02133977%	
Current Measurement Date	<u>0.01941680%</u>	<u>0.02135610%</u>	
Change in Proportionate Share	<u>0.00201740%</u>	<u>0.00001633%</u>	
Proportionate Share of the Net Pension Liability	\$1,161,741	\$4,722,773	\$5,884,514
Pension Expense	\$199,040	\$668,491	\$867,531

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$29,459	\$38,451	\$67,910
Changes of Assumptions	0	554,781	554,781
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	43,820	15,632	59,452
School District Contributions Subsequent to the Measurement Date	<u>94,606</u>	<u>380,933</u>	<u>475,539</u>
Total Deferred Outflows of Resources	<u>\$167,885</u>	<u>\$989,797</u>	<u>\$1,157,682</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$0	\$20,444	\$20,444
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	14,912	230,824	245,736
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>80,280</u>	<u>81,578</u>	<u>161,858</u>
Total Deferred Inflows of Resources	<u>\$95,192</u>	<u>\$332,846</u>	<u>\$428,038</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

\$475,539 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2021	\$17,835	\$252,714	\$270,549
2022	(47,213)	27,761	(19,452)
2023	(992)	(30,081)	(31,073)
2024	8,457	25,624	34,081
Total	(\$21,913)	\$276,018	\$254,105

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2019, are presented below.

Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal (level percent of payroll)

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries was based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 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 (7.5 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$1,628,015	\$1,161,741	\$770,712

Actuarial Assumptions - STRS

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

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 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 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

Postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

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

Asset Class	Target Allocation *	Long-Term Expected 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
	<u>100.00%</u>	

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes 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, 2019. 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, 2019.

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$6,901,807	\$4,722,773	\$2,878,110

Social Security

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2020, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability (asset).

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten 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 sixty-five 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 State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the 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). The 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 establishes 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, 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, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$13,529.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$13,529 for fiscal year 2020. Of this amount, \$13,529 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing health care plan for eligible retirees who participated in the defined benefit and combined pension plans offered by STRS. Ohio law authorizes STRS to offer the 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 STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment 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 postemployment health care.

OPEB Liability (Asset), OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	.02158190%	.02133977%	
Current Measurement Date	.01992740%	.02135610%	
Change in Proportionate Share	<u>.00165450%</u>	<u>.00001633%</u>	
Proportionate Share of the			
Net OPEB Liability	\$501,133	\$0	\$501,133
Net OPEB Asset	\$0	\$353,709	\$353,709
OPEB Expense	\$15,088	(\$111,600)	(\$96,512)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$7,356	\$32,066	\$39,422
Changes of Assumptions	36,602	7,435	44,037
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	1,203	0	1,203
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	71,805	4,618	76,423
School District Contributions Subsequent to the Measurement Date	13,529	0	13,529
Total Deferred Outflows of Resources	<u>\$130,495</u>	<u>\$44,119</u>	<u>\$174,614</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	\$110,095	\$17,995	\$128,090
Changes of Assumptions	28,081	387,800	415,881
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	0	22,215	22,215
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	49,618	15,119	64,737
Total Deferred Inflows of Resources	<u>\$187,794</u>	<u>\$443,129</u>	<u>\$630,923</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

\$13,529 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2021	(\$27,540)	(\$87,742)	(\$115,282)
2022	(6,239)	(87,742)	(93,981)
2023	(5,886)	(78,839)	(84,725)
2024	(5,944)	(75,714)	(81,658)
2025	(15,080)	(70,005)	(85,085)
Thereafter	(10,139)	1,032	(9,107)
Total	(\$70,828)	(\$399,010)	(\$469,838)

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 modification 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.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

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

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.7 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates and the 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, 7.5 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 ten 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 SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019, was 3.22 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2019, was 3.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 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 Twenty-Year Municipal Bond Index Rate of 3.13 percent, as of June 30, 2019 (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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - 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 and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) or one percentage point higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22)
School District's Proportionate Share of the Net OPEB Liability	\$608,279	\$501,133	\$415,938
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$401,508	\$501,133	\$633,309

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below.

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 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 were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were 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, 2019, 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 cost process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - Defined Benefit OPEB Plans (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS 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 of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as 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% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$301,820	\$353,709	\$397,335
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$401,089	\$353,709	\$295,678

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to thirty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 16 - Other Employee Benefits (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty days for certified employees and two hundred days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-five days for certified employees and fifty days for classified employees.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to most employees through the Northern Buckeye Health Plan, and life insurance through American United Life.

Note 17 - Long-Term Obligations

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

	Balance at 6/30/19	Additions	Reductions	Balance at 6/30/20	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt from Direct Placement					
FY11 Loan Payable 4.5%	\$15,000	\$0	\$15,000	\$0	\$0
FY06 Loan Payable 5.06%	1,372,000	0	58,000	1,314,000	61,000
Total Loans Payable	<u>1,387,000</u>	<u>0</u>	<u>73,000</u>	<u>1,314,000</u>	<u>61,000</u>
General Obligation Bonds from Direct Placement					
FY12 School Facilities Construction and Improvement Refunding Bonds					
Term Bonds 3 %	500,000	0	5,000	495,000	5,000
General Obligation Bonds					
FY02 School Facilities Construction and Improvement Bonds					
Term Bonds 4.9 - 6 %	800,000	0	175,000	625,000	190,000
Total General Obligation Bonds	<u>1,300,000</u>	<u>0</u>	<u>180,000</u>	<u>1,120,000</u>	<u>195,000</u>
Net Pension Liability					
SERS	1,227,576	0	65,835	1,161,741	0
STRS	4,692,136	30,637	0	4,722,773	0
Total Net Pension Liability	<u>5,919,712</u>	<u>30,637</u>	<u>65,835</u>	<u>5,884,514</u>	<u>0</u>
Net OPEB Liability					
SERS	598,740	0	97,607	501,133	0
Compensated Absences Payable	296,159	28,595	0	324,754	20,701
Capital Leases Payable	838,384	0	48,817	789,567	62,661
Total Governmental Activities					
Long-Term Obligations	<u>\$10,339,995</u>	<u>\$59,232</u>	<u>\$465,259</u>	<u>\$9,933,968</u>	<u>\$339,362</u>

FY11 Loan Payable - On May 13, 2011, the School District obtained a loan, in the amount of \$125,000, to purchase and install energy conservation measures. The loan was issued for a nine year period and was fully retired during fiscal year 2020.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 - Long-Term Obligations (continued)

FY06 Loan Payable - On October 7, 2005, the School District obtained a loan, in the amount of \$1,800,000, for constructing school facilities. The loan was issued for a twenty-nine year period, with final maturity during fiscal year 2035. The loan is being retired from the Bond Retirement debt service fund.

FY 12 School Facilities Construction and Improvement Refunding Bonds - On January 12, 2012, the School District issued current refunding general obligation bonds through a direct placement, in the original amount of \$1,155,000, to refund a portion of the FY 2002 School Facilities Construction and Improvement Bonds. The refunding bond issue consists of term bonds. The bonds were issued for a twelve year period, with final maturity in fiscal year 2024. The bonds are being retired through the Bond Retirement debt service fund.

The bonds are subject to mandatory sinking fund redemption at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2020	\$5,000
2021	5,000
2022	5,000
2023	230,000

The remaining principal, in the amount of \$250,000, will be paid at stated maturity on December 1, 2024.

FY02 School Facilities Construction and Improvement Bonds - On April 15, 2002, the School District issued \$3,069,000 in voted general obligation bonds for the construction of a new elementary school and middle school. The bond issue included serial and term bonds, in the original amount of \$1,329,000 and \$1,740,000, respectively. The bonds were issued for a twenty-four year period, with final maturity during fiscal year 2025. During fiscal year 2012, a portion of the term bonds, in the amount of \$1,155,000, was refunded. The remaining bonds will be retired through the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

Year	Amount
2020	\$190,000
2021	210,000

The remaining principal, in the amount of \$225,000, will be paid at stated maturity on December 1, 2022.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 17 - Long-Term Obligations (continued)

Net Pension/OPEB Liability - There is no repayment schedule for the net pension/OPEB liability; however, employer pension/OPEB contributions are made from the General Fund and the Food Service, Latchkey, Athletic and Music, Student Wellness, and Title I special revenue funds. For additional information related to the net pension/OPEB liability, see Notes 14 and 15 to the basic financial statements.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$6,264,957 with an unvoted debt margin of \$89,136 at June 30, 2020.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, were as follows:

FY 06 Loan Payable from Direct Placement

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$61,000	\$65,330	\$126,330
2022	64,000	62,149	126,149
2023	67,000	58,815	125,815
2024	71,000	55,303	126,303
2025	74,000	51,613	125,613
2026-2030	430,000	195,965	625,965
2031-2035	547,000	72,304	619,304
Total	<u>\$1,314,000</u>	<u>\$561,479</u>	<u>\$1,875,479</u>

General Obligation Bonds

Fiscal Year Ending June 30,	<u>From Direct Placement</u>				
	Principal	Interest	Principal	Interest	Total
2021	\$5,000	\$14,775	\$190,000	\$31,800	\$241,575
2022	5,000	14,625	210,000	19,800	249,425
2023	5,000	14,475	225,000	6,750	251,225
2024	230,000	10,950	0	0	240,950
2025	250,000	3,750	0	0	253,750
Total	<u>\$495,000</u>	<u>\$58,575</u>	<u>\$625,000</u>	<u>\$58,350</u>	<u>\$1,236,925</u>

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

	Governmental Activities
Equipment	\$838,384
Less Accumulated Depreciation	(45,411)
Carrying Value at June 30, 2020	\$792,973

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2020.

Year	Governmental Activities from Direct Placement	
	Principal	Interest
2021	\$62,661	\$56,028
2022	67,431	51,257
2023	72,565	46,123
2024	78,090	40,598
2025	84,036	34,653
2026	90,434	28,255
2027	97,319	21,369
2028	104,729	13,960
2029	112,702	5,986
2030	19,600	181
	\$789,567	\$298,410

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 19 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$3,270	\$0	\$122	\$3,392
Materials and Supplies				
Inventory	9,544	0	867	10,411
Total Nonspendable	<u>12,814</u>	<u>0</u>	<u>989</u>	<u>13,803</u>
Restricted for:				
Athletics and Music	0	0	12,994	12,994
Debt Retirement	0	676,753	0	676,753
Facilities Maintenance	0	0	123,456	123,456
Food Service Operations	0	0	42,470	42,470
Latchkey	0	0	1,651	1,651
Non-Instructional	0	0	8,672	8,672
Permanent Improvements	0	0	322,559	322,559
Regular Instruction	0	0	45,693	45,693
Student Managed Activities	0	0	15,831	15,831
Student Wellness	0	0	69,211	69,211
Wellness Program	0	0	7	7
Total Restricted	<u>0</u>	<u>676,753</u>	<u>642,544</u>	<u>1,319,297</u>
Assigned for:				
Educational Activities	15,630	0	0	15,630
Extracurricular Activities	1,272	0	0	1,272
Unpaid Obligations	5,670	0	0	5,670
Total Assigned	<u>22,572</u>	<u>0</u>	<u>0</u>	<u>22,572</u>
Unassigned (Deficit)	5,614,803	0	(8,841)	5,605,962
Total Fund Balance	<u>\$5,650,189</u>	<u>\$676,753</u>	<u>\$634,692</u>	<u>\$6,961,634</u>

Note 20 - Set Asides

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

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 20 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance set aside for capital improvements during fiscal year 2020.

Balance June 30, 2019	\$0
Current Year Set Aside Requirement	79,831
Current Year Offsets	(71,854)
Qualifying Expenditures	<u>(7,977)</u>
Balance June 30, 2020	<u>\$0</u>

Note 21 - Interfund Transfers

During fiscal year 2020, the Bond Retirement debt service fund made transfers to other governmental funds, in the amount of \$15,327, to make debt payments when due.

Note 22 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2020, the School District paid \$70,256 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 22 - Jointly Governed Organizations (continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities 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. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 22-900 State Route 34, Archbold, Ohio 43502.

Note 23 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

B. Northern Buckeye Health Plan

The Northern Buckeye Health Plan (Plan), is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Plan is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 23 - Insurance Pools (continued)

C. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

Note 24 - Related Organization

The Holgate Community Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Holgate Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Holgate Community Library, 204 Railway Avenue, Holgate, Ohio 43527.

Note 25 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

Holgate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 25 - Contingencies (continue)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. The School District's September 18, 2020, and November 27, 2020, foundation settlement receipts included the FTE adjustments for fiscal year 2020. The September 18, 2020, adjustment was a decrease of \$11 and the November 27, 2020, adjustment was an increase of \$383. These amounts are not material to the financial statements and are not included in the financial statements as of June 30, 2020.

C. Litigation

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

Note 26 - COVID-19

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

Holgate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.01941680%	0.02143420%	0.01758930%	0.01880070%
School District's Proportionate Share of the Net Pension Liability	\$1,161,741	\$1,227,576	\$1,050,922	\$1,376,038
School District's Employee Payroll	\$672,933	\$680,785	\$579,850	\$587,879
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	172.64%	180.32%	181.24%	234.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.01876960%	0.01941600%	0.01941600%
\$1,071,011	\$982,632	\$1,154,607
\$563,892	\$525,649	\$508,840
189.93%	186.94%	226.91%
69.16%	71.70%	65.52%

Holgate Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.02135610%	0.02133977%	0.02118739%	0.02168214%
School District's Proportionate Share of the Net Pension Liability	\$4,722,773	\$4,692,136	\$5,033,109	\$7,257,665
School District's Employee Payroll	\$2,489,714	\$2,474,143	\$2,285,179	\$2,341,921
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	189.69%	189.65%	220.25%	309.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.02187640%	0.02127777%	0.02127777%
\$6,045,998	\$5,175,490	\$6,165,010
\$2,278,550	\$2,182,146	\$2,255,469
265.34%	237.17%	273.34%
72.10%	74.70%	69.30%

Holgate Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.01992740%	0.02158190%	0.01779410%	0.01899120%
School District's Proportionate Share of the Net OPEB Liability	\$501,133	\$598,740	\$477,547	\$541,319
School District's Employee Payroll	\$672,933	\$680,785	\$579,850	\$587,879
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	74.47%	87.95%	82.36%	92.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

Holgate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.02135610%	0.02133977%	0.02118739%	0.02168214%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$353,709)	(\$342,909)	\$826,654	\$1,159,566
School District's Employee Payroll	\$2,489,714	\$2,474,143	\$2,285,179	\$2,341,921
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-14.21%	-13.86%	36.17%	49.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

See Accompanying Notes to the Required Supplementary Information

Holgate Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$94,606	\$90,846	\$91,906	\$81,179
Contributions in Relation to the Contractually Required Contribution	<u>(94,606)</u>	<u>(90,846)</u>	<u>(91,906)</u>	<u>(81,179)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$675,757	\$672,933	\$680,785	\$579,850
Contributions as a Percentage of Employee Payroll	14.00%	13.50%	13.50%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	\$13,529	\$15,663	\$14,339	\$9,444
Contributions in Relation to the Contractually Required Contribution	<u>(13,529)</u>	<u>(15,663)</u>	<u>(14,339)</u>	<u>(9,444)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>2.00%</u>	<u>2.33%</u>	<u>2.11%</u>	<u>1.63%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>16.00%</u>	<u>15.83%</u>	<u>15.61%</u>	<u>15.63%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$82,303	\$74,321	\$72,855	\$70,423	\$68,836	\$61,799
<u>(82,303)</u>	<u>(74,321)</u>	<u>(72,855)</u>	<u>(70,423)</u>	<u>(68,836)</u>	<u>(61,799)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$587,879	\$563,892	\$525,649	\$508,840	\$511,795	\$491,643
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
\$9,347	\$14,148	\$10,176	\$9,929	\$10,475	\$14,459
<u>(9,347)</u>	<u>(14,148)</u>	<u>(10,176)</u>	<u>(9,929)</u>	<u>(10,475)</u>	<u>(14,459)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.59%</u>	<u>2.51%</u>	<u>1.94%</u>	<u>1.95%</u>	<u>2.05%</u>	<u>2.94%</u>
<u>15.59%</u>	<u>15.69%</u>	<u>15.80%</u>	<u>15.79%</u>	<u>15.50%</u>	<u>15.51%</u>

Holgate Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$380,933	\$348,560	\$346,380	\$319,925
Contributions in Relation to the Contractually Required Contribution	<u>(380,933)</u>	<u>(348,560)</u>	<u>(346,380)</u>	<u>(319,925)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,720,950	\$2,489,714	\$2,474,143	\$2,285,179
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$327,869	\$318,997	\$283,679	\$293,211	\$283,730	\$284,653
<u>(327,869)</u>	<u>(318,997)</u>	<u>(283,679)</u>	<u>(293,211)</u>	<u>(283,730)</u>	<u>(284,653)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,341,921	\$2,278,550	\$2,182,146	\$2,255,469	\$2,182,538	\$2,189,638
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$0	\$21,821	\$22,555	\$21,825	\$21,896
<u>0</u>	<u>0</u>	<u>(21,821)</u>	<u>(22,555)</u>	<u>(21,825)</u>	<u>(21,896)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Holgate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

Changes in Assumptions - SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Holgate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Beginning with fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were 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. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table, projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2020	3.13 percent
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2020	3.22 percent
Fiscal Year 2019	3.7 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)”, and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent.

Holgate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Changes in Benefit Terms - STRS

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims cost process. Claim curves were trended to the fiscal year ending June 30, 2020, to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020, from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

OHIO AUDITOR OF STATE KEITH FABER



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

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

Holgate Local School District
Henry County
801 East Joe E. Brown Avenue
Holgate, Ohio 43527

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holgate Local School District, Henry County, Ohio (the District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2022, wherein we noted 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 2021-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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

February 24, 2022

**HOLGATE LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2021 AND 2020**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2021-001

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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We identified the following errors requiring adjustments to the financial statements and notes to the financial statements:

- In 2021, Property Taxes Receivable and the related Deferred Inflows of Resources were understated by \$22,608 for Governmental Activities and the Nonmajor Governmental Funds due to errors in estimating the amounts.
- In 2020, Intergovernmental Receivable was understated by \$6,990 for Governmental Activities and the Nonmajor Governmental Funds due to errors in estimating the amounts.

These errors were not identified and corrected prior to the District filing its annual financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. Failing to prepare accurate financial statements, including notes to the financial statements, could lead the Board of Education to make misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$117,921 to \$120,462, which 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 District should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board of Education, to help identify and correct errors and omissions.

Officials' Response:

The Treasurer will work with the GAAP converter to make sure this issues is addressed in the future.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



HOLGATE LOCAL SCHOOL DISTRICT

HENRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/15/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov