CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

# TECUMSEH LOCAL SCHOOL DISTRICT
# CLARK COUNTY, OHIO

## SINGLE AUDIT

### FOR THE YEAR ENDED JUNE 30, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

Board of Education
Tecumseh Local School District
9760 West National Road
New Carlisle, Ohio 45344

We have reviewed the *Independent Auditor's Report* of the Tecumseh Local School District, Clark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

**March 07, 2023**

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CLARK SCHAEFER HACKETT
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## INDEPENDENT AUDITORS' REPORT

Board of Education
Tecumseh Local School District
9760 West National Road
New Carlisle, Ohio 45344

### Report on the Audit of the Financial Statements

***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tecumseh Local School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the District's pension and OPEB amounts and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio
January 10, 2023

The discussion and analysis of Tecumseh Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

## Financial Highlights

Key financial highlights for 2022 are as follows:

- In total, net position for governmental activities increased $2,560,744, which represents a 13.56% increase. The decrease in the net pension/OPEB liability contributed to the increase.

- General revenues accounted for $31,888,065 in revenue or 80.52 percent of governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for $7,713,492 or 19.48 percent of governmental revenues of $39,601,557.

- The School District had $37,040,813 in governmental expenses; $7,713,492 of these expenses were offset by program specific charges for services, grants or contributions. General revenues for governmental activities (primarily taxes and entitlements) of $31,888,065 also contributed to these programs.

- The general fund had $30,995,730 in revenues and $29,760,139 in expenditures. The general fund's balance increased $1,237,591 from 2021.

- The School District had $11,930,000 in general obligation bonds outstanding, a decrease of $985,000 from prior year.

## Using this Generally Accepted Accounting Principles Report (GAAP)

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole 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 the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Tecumseh Local School District, the general fund is the most significant fund.

## Reporting the School District as a Whole

*Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2022?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

## Reporting the School District's Most Significant Funds

*Fund Financial Statements*

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

*Governmental Funds*

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2022 compared to fiscal year 2021:

Table 1
Net Position

| | Governmental Activities | |
|---|---|---|
| | 2021 - Restated | 2022 |
| **Assets** | | |
| Current and Other Assets | $30,869,018 | $33,792,609 |
| Capital Assets | 50,747,591 | 47,819,567 |
| Net OPEB Asset | 2,152,751 | 2,528,437 |
| Total Assets | 83,769,360 | 84,140,613 |
| **Deferred Outflows of Resources** | | |
| Deferred Charge on Refunding | 538,457 | 489,506 |
| Pension | 7,547,961 | 8,391,185 |
| OPEB | 1,087,261 | 1,103,826 |
| Total Deferred Outflows of Resources | 9,173,679 | 9,984,517 |
| **Liabilities** | | |
| Current and Other Liabilities | 3,905,486 | 4,071,535 |
| Long-Term Liabilities | | |
| Due Within One Year | 1,042,842 | 1,127,236 |
| Due in More Than One Year | | |
| Net Pension Liability | 38,427,761 | 20,436,619 |
| Net OPEB Liability | 2,937,332 | 2,692,768 |
| Other Amounts | 14,507,487 | 13,286,325 |
| Unamortized Bond Premium | 612,566 | 556,878 |
| Total Liabilities | 61,433,474 | 42,171,361 |
| **Deferred Inflows of Resources** | | |
| Deferred Charge on Refunding | 5,032 | 4,313 |
| Pension | 849,901 | 16,775,634 |
| OPEB | 4,289,386 | 4,628,987 |
| Other Inflows | 7,478,543 | 9,097,388 |
| Total Deferred Inflows of Resources | 12,622,862 | 30,506,322 |
| **Net Position** | | |
| Invested in Capital Assets, Net of Debt | 37,548,911 | 35,817,851 |
| Restricted | 4,183,344 | 7,105,701 |
| Unrestricted | (22,845,552) | (21,476,105) |
| Total Net Position | $18,886,703 | $21,447,447 |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27". In addition, the School District reports a liability for other postemployment benefits (OPEB) in accordance with GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement 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 to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension 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 this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute.

The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension 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., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension 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 68 and GASB 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 asset/liability, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of the School District's financial position. Total net position increased $2,560,744 for fiscal year 2022. Of this total increase, the unrestricted net position deficit improved $1,369,447.

Deferred outflows related to pension increased primarily due to changes in projected and actual earnings on investment by the State Teachers Retirement System (STRS) See Note 10 for more detail.

Capital assets represent 52.76% of total assets. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided form other sources, since capital assets may not be used to liquidate these liabilities. Capital assets decreased in fiscal year 2022 as a result of the continued depreciation of the assets.

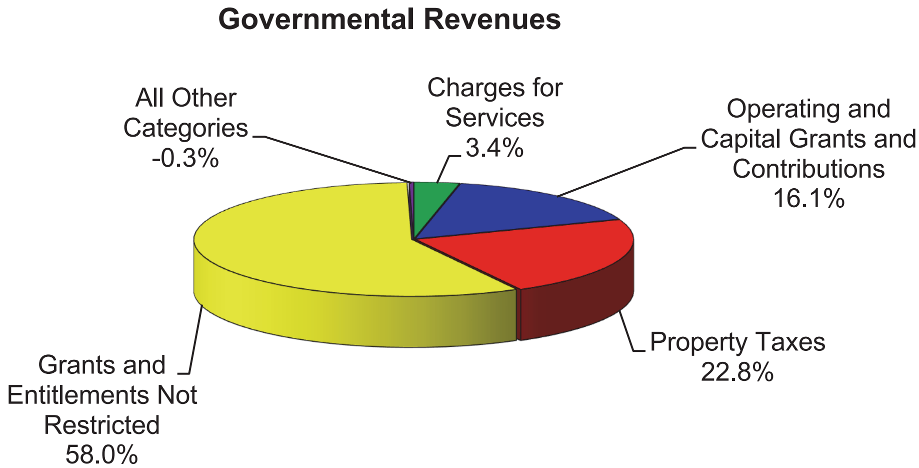
Long-term liabilities deceased primarily due to a decrease in net pension liability. The decrease in net pension liability and decrease in the net OPEB liability are outside the control of the School District. The School District contributes its statutorily required contributions to the pension systems;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

The net pension liability decreased $17,991,142 or 46.82% and deferred inflows of resources related to pension increased $15,925,733. These changes were the result of increases of earnings at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Net investment income on investments on both pension system exceeded estimates for fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which contributed to a large increase in fiduciary net position.

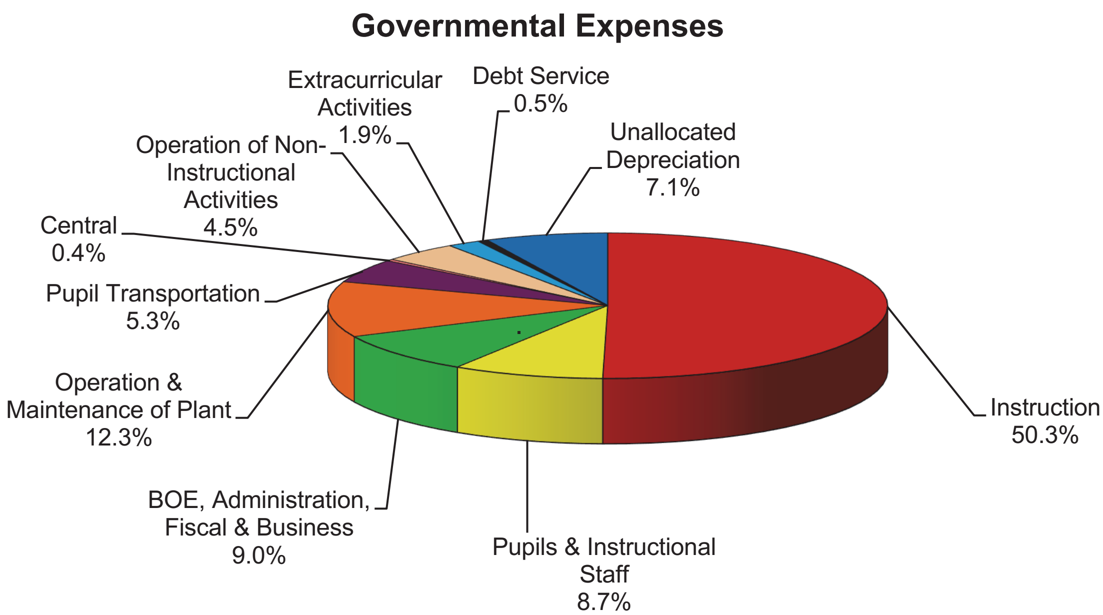
Table 2 shows the changes in net position for governmental activities for fiscal year 2021 and 2022.

Table 2
Change in Net Position

| | **Governmental Activities** | | **Percentage** |
|---|---|---|---|
| | 2021 | 2022 | **Change** |
| **Revenues** | | | |
| Program Revenues: | | | |
| Charges for Services | $2,049,588 | $1,342,842 | -34.48% |
| Operating Grants and Contributions | 5,140,264 | 6,370,650 | 23.94 |
| Capital Grants and Contributions | 60,504 | - | (100.00) |
| Total Program Revenues | 7,250,356 | 7,713,492 | 6.39 |
| General Revenues | | | |
| Property Taxes | 10,499,250 | 9,044,359 | (13.86) |
| Grants and Entitlements Not Restricted | 21,182,273 | 22,979,338 | 8.48 |
| Other | 602,297 | (135,632) | (122.52) |
| Total General Revenues | 32,283,820 | 31,888,065 | (1.23) |
| Total Revenues | 39,534,176 | 39,601,557 | 0.17 |
| Program Expenses | | | |
| Instruction | 22,767,495 | 18,626,462 | (18.19) |
| Support Services: | | | |
| Pupils and Instructional Staff | 4,166,216 | 3,228,095 | (22.52) |
| Board of Education, Administration, Fiscal and Business | 4,140,075 | 3,323,952 | (19.71) |
| Operation and Maintenance of Plant | 4,442,686 | 4,560,702 | 2.66 |
| Pupil Transportation | 1,862,088 | 1,953,126 | 4.89 |
| Central | 105,520 | 143,984 | 36.45 |
| Operation of Non-Instructional Services | 1,333,890 | 1,656,675 | 24.20 |
| Extracurricular Activities | 669,248 | 704,760 | 5.31 |
| Interest and Fiscal Charges and Issuance Costs | 222,495 | 209,010 | (6.06) |
| Unallocated Depreciation | 2,618,050 | 2,634,047 | 0.61 |
| Total Expenses | 42,327,763 | 37,040,813 | (12.49) |
| Change in Net Position | (2,793,587) | 2,560,744 | 191.67 |
| Net Position, Beginning of Year | 21,680,290 | 18,886,703 | |
| Net Position, End of Year | $18,886,703 | $21,447,447 | 13.56 |




The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a levy does not increase solely as a result of inflation. Property taxes made up 22.8% and 26.6% of revenues for governmental activities for the Tecumseh Local School District for fiscal year 2022 and 2021 respectively. The last new operating levy approved by the voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 58.0% and 53.5% of the School District's total revenue was received from intergovernmental sources during fiscal year 2022 and 2021, respectively. Operating and capital grants and contributions increased from 13.2% of revenues to 16.1% from 2021 to 2022.




Instruction comprises 50.3 percent of district expenses. Support services expenses make up 35.7 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

## Governmental Activities

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

| | Total Cost of Services 2021 | Net Cost of Services 2021 | Total Cost of Services 2022 | Net Cost of Services 2022 |
|---|---|---|---|---|
| Instruction | $22,767,495 | ($19,165,583) | $18,626,462 | ($15,701,812) |
| Support Services: | | | | |
| Pupils and Instructional Staff | 4,166,216 | (2,179,119) | 3,228,095 | (2,539,644) |
| Board of Education, Administration, Fiscal and Business | 4,140,075 | (3,871,155) | 3,323,952 | (3,034,519) |
| Operation and Maintenance of Plant | 4,442,686 | (4,343,636) | 4,560,702 | (3,981,487) |
| Pupil Transportation | 1,862,088 | (1,801,584) | 1,953,126 | (1,937,246) |
| Central | 105,520 | (105,520) | 143,984 | (143,984) |
| Operation of Non-Instructional Services | 1,333,890 | (393,003) | 1,656,675 | 1,165,503 |
| Extracurricular Activities | 669,248 | (377,262) | 704,760 | (311,075) |
| Interest & Fiscal Charges & Issuance Costs | 222,495 | (222,495) | 209,010 | (209,010) |
| Unallocated Depreciation | 2,618,050 | (2,618,050) | 2,634,047 | (2,634,047) |
| Total Expenses | $42,327,763 | ($35,077,407) | $37,040,813 | ($29,327,321) |

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the School District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities along with after-school activities.

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges and issue cost involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Approximately 79 percent of all activities are supported through taxes and other general revenues. The community along with State revenues, as a whole, is the primary support for the Tecumseh Local School District.

**The School District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $39,628,893, an increase of $164,111 from prior year. All governmental funds had total expenditures of $38,478,451, a decrease of $484,935 from prior year.

The net change in fund balance for the general fund was $1,237,591. Interest revenue reflects a negative total of $229,540 in the general fund for fiscal year 2022 as a result of the change in the fair value of investments. Tuition and fees in the general fund decreased $1,019,948 from the prior year. A portion of the revenue from the Ohio Department of Education (ODE) that was reflected as tuition and fees in prior year is now reflected with intergovernmental revenue in accordance with the guidance from the ODE.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2022, the School District amended its general fund budget, which resulted in an appropriation increase of $418,366. A significant portion of the increase was for increased transportation costs, specifically fuel. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, the original budget basis revenue estimate was $26,740,323, the same as the final revenue estimated for the year.

**Capital Assets**

At the end of fiscal year 2022 the School District had $47,819,567 invested in governmental land, land improvements, buildings and improvements, furniture, equipment, and fixtures, vehicles, and intangible – right to use: leased equipment.

Table 4 shows fiscal year 2022 balances compared to fiscal year 2021.

Table 4
Capital Assets (Net of Depreciation) at June 30,

| | 2021 - Restated | 2022 |
|---|---|---|
| Land | $520,022 | $520,022 |
| Land Improvements | 76,366 | 76,366 |
| Buildings and Improvements | 85,414,019 | 85,429,955 |
| Furniture, Equipment & Fixtures | 3,036,163 | 2,889,979 |
| Vehicles | 2,980,836 | 2,785,630 |
| Intangible - Right to Use: | | |
| Leased Equipment | 204,508 | 204,508 |
| Accumulated Depreciation & Amortization | (41,484,323) | (44,086,893) |
| Totals | $50,747,591 | $47,819,567 |

Overall capital assets decreased $2,928,024 from fiscal year 2021 to fiscal year 2022. Depreciation and amortization expense exceeded capital asset additions resulting in the decrease. Additions for 2022 included an electronic sign at Tecumseh Middle School. For more information on capital assets see Note 9 of the Basic Financial Statements.

**Debt Administration**

At June 30, 2022, the School District had the following outstanding long-term general obligation debt:

| | Amount Outstanding 6/30/21 | Amount Outstanding 6/30/22 |
|---|---|---|
| **Governmental Activities** | | |
| Refunding Bonds 2020 | $5,545,000 | $5,450,000 |
| Refunding Bonds 2012 | 1,815,000 | 925,000 |
| Refunding Bonds 2019 | 5,555,000 | 5,555,000 |
| Total General Obligation Bonds | $12,915,000 | $11,930,000 |
| | | |
| Unamortized Premium on Bonds | $612,566 | $556,878 |

For more information on the School District's debt, see Note 15 of the Basic Financial Statements.

**Current Financial Issues and Concerns**

On November 2, 2021, Tecumseh residents passed a five-year 2.13-mill renewal levy that will generate $712,000 per year.

## 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 show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Denise Robinson, Treasurer at Tecumseh Local School District, 9760 West National Road, New Carlisle, OH 45344 or email denise.robinson@tecumsehlocal.org.

**Tecumseh Local School District**

*Statement of Net Position*

*June 30, 2022*

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| **Assets:** | |
| Equity in Pooled Cash and Cash Equivalents | $21,390,926 |
| Cash and Cash Equivalents in Segregated Accounts | 4,500 |
| Accounts Receivable | 92,736 |
| Intergovernmental Receivable | 1,479,612 |
| Prepaid Items | 179,710 |
| Property and Other Taxes Receivable | 10,566,125 |
| Lease Receivable | 79,000 |
| Depreciable Capital Assets, Net | 47,299,545 |
| Land | 520,022 |
| Net OPEB Asset | 2,528,437 |
| Total Assets | 84,140,613 |
| | |
| **Deferred Outflows of Resources:** | |
| Deferred Charge on Refunding | 489,506 |
| Pension | 8,391,185 |
| OPEB | 1,103,826 |
| Total Deferred Outflows of Resources | 9,984,517 |
| | |
| **Liabilities:** | |
| Accounts Payable | 418,143 |
| Accrued Wages and Benefits Payable | 3,021,753 |
| Intergovernmental Payable | 504,118 |
| Accrued Interest Payable | 17,085 |
| Matured Compensated Absences Payable | 78,261 |
| Vacation Leave Payable | 32,175 |
| Long Term Liabilities: | |
| Due Within One Year | 1,127,236 |
| Due In More Than One Year | |
| Net Pension Liability | 20,436,619 |
| Net OPEB Liability | 2,692,768 |
| Other Amounts Due In More Than One Year | 13,843,203 |
| Total Liabilities | 42,171,361 |
| | |
| **Deferred Inflows of Resources:** | |
| Deferred Charge on Refunding | 4,313 |
| Property Taxes not Levied to Finance Current Year Operations | 9,018,388 |
| Pension | 16,775,634 |
| OPEB | 4,628,987 |
| Leases | 79,000 |
| Total Deferred Inflows of Resources | 30,506,322 |
| | |
| **Net Position:** | |
| Net Investment in Capital Assets | 35,817,851 |
| Restricted for: | |
| Debt Service | 1,385,897 |
| Capital Projects | 2,395,064 |
| Other Purposes | 3,208,143 |
| Set-asides | 80,032 |
| Non-expendable | 2,450 |
| Unclaimed Monies | 34,115 |
| Unrestricted | (21,476,105) |
| Total Net Position | $21,447,447 |

See Accompanying Notes to the Basic Financial Statements

**Tecumseh Local School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2022*

| | | PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|---|---|---|---|---|
| | EXPENSES | CHARGES FOR SERVICES AND SALES | OPERATING GRANTS CONTRIBUTIONS AND INTEREST | TOTAL GOVERNMENTAL ACTIVITIES |
| **Governmental Activities** | | | | |
| Instruction: | | | | |
| Regular | $12,250,460 | $560,491 | $915,563 | ($10,774,406) |
| Special | 5,558,621 | 44,383 | 966,117 | (4,548,121) |
| Vocational | 293,343 | 3,604 | 136,970 | (152,769) |
| Student Intervention Services | 305,238 | 0 | 288,783 | (16,455) |
| Other | 218,800 | 0 | 8,739 | (210,061) |
| Support Services: | | | | |
| Pupils | 2,214,989 | 0 | 472,933 | (1,742,056) |
| Instructional Staff | 1,013,106 | 2,593 | 212,925 | (797,588) |
| Board of Education | 68,601 | 0 | 0 | (68,601) |
| Administration | 2,533,111 | 0 | 289,433 | (2,243,678) |
| Fiscal | 707,462 | 0 | 0 | (707,462) |
| Business | 14,778 | 0 | 0 | (14,778) |
| Operation and Maintenance of Plant | 4,560,702 | 41,562 | 537,653 | (3,981,487) |
| Pupil Transportation | 1,953,126 | 2,000 | 13,880 | (1,937,246) |
| Central | 143,984 | 0 | 0 | (143,984) |
| Operation of Non-Instructional Services | 1,656,675 | 335,280 | 2,486,898 | 1,165,503 |
| Extracurricular Activities | 704,760 | 352,929 | 40,756 | (311,075) |
| Interest and Fiscal Charges | 209,010 | 0 | 0 | (209,010) |
| Depreciation - Unallocated | 2,634,047 | 0 | 0 | (2,634,047) |
| Total | $37,040,813 | $1,342,842 | $6,370,650 | (29,327,321) |

| | |
|---|---|
| General Revenues: | |
| Property Taxes Levied for: | |
| General Purposes | 7,432,696 |
| Capital Outlay | 528,536 |
| Debt Service | 979,315 |
| Capital Maintenance | 103,812 |
| Grants and Entitlements not Restricted to Specific Programs | 22,979,338 |
| Gifts and Donations not Restricted to Specific Programs | 2,550 |
| Investment Earnings/Change in Fair Value | (218,281) |
| Miscellaneous | 80,099 |
| Total General Revenues | 31,888,065 |
| Change in Net Position | 2,560,744 |
| Net Position Beginning of Year | 18,886,703 |
| Net Position End of Year | $21,447,447 |

See Accompanying Notes to the Basic Financial Statements

**Tecumseh Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2022*

| | GENERAL | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|
| **Assets:** | | | |
| Equity in Pooled Cash and Cash Equivalents | $14,646,520 | $6,744,406 | $21,390,926 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 4,500 | 4,500 |
| Receivables: | | | |
| Property and Other Taxes | 8,668,870 | 1,897,255 | 10,566,125 |
| Accounts | 92,736 | 0 | 92,736 |
| Intergovernmental | 297,119 | 1,182,493 | 1,479,612 |
| Interfund | 676,532 | 0 | 676,532 |
| Leases | 79,000 | 0 | 79,000 |
| Prepaid Items | 179,710 | 0 | 179,710 |
| Total Assets | $24,640,487 | $9,828,654 | $34,469,141 |
| **Liabilities:** | | | |
| Accounts Payable | $305,241 | $112,902 | $418,143 |
| Matured Compensated Absences Payable | 70,776 | 7,485 | 78,261 |
| Accrued Wages and Benefits Payable | 2,566,469 | 455,284 | 3,021,753 |
| Intergovernmental Payable | 428,491 | 75,627 | 504,118 |
| Interfund Payable | 0 | 676,532 | 676,532 |
| Total Liabilities | 3,370,977 | 1,327,830 | 4,698,807 |
| **Deferred Inflows of Resources:** | | | |
| Property Taxes not Levied to Finance Current Year Operations | 7,492,971 | 1,525,417 | 9,018,388 |
| Leases | 79,000 | 0 | 79,000 |
| Unavailable Revenue | 402,323 | 323,150 | 725,473 |
| Total Deferred Inflows of Resources | 7,974,294 | 1,848,567 | 9,822,861 |
| **Fund Balances:** | | | |
| Nonspendable | 213,825 | 2,000 | 215,825 |
| Restricted | 80,032 | 6,959,102 | 7,039,134 |
| Assigned | 1,622,127 | 0 | 1,622,127 |
| Unassigned | 11,379,232 | (308,845) | 11,070,387 |
| Total Fund Balances | 13,295,216 | 6,652,257 | 19,947,473 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $24,640,487 | $9,828,654 | $34,469,141 |

See Accompanying Notes to the Basic Financial Statements

**Tecumseh Local School District**

*Reconciliation of Total Governmental Fund Balances to*
*Net Position of Governmental Activities*
*June 30, 2022*

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $19,947,473 |
| | | |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | | |
| Land | 520,022 | |
| Land Improvements | 76,366 | |
| Building and Improvements | 85,429,955 | |
| Furniture/Equipment/Fixtures | 2,889,979 | |
| Vehicles | 2,785,630 | |
| Intangible - Right to Use: Leased Equipment | 204,508 | |
| Accumulated Depreciation | (44,086,893) | 47,819,567 |
| Total Capital Assets | | |
| | | |
| Deferred outflows shown in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Deferred Charge on Refunding | | 489,506 |
| | | |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: | | |
| Property Taxes Receivable | 496,144 | |
| Intergovernmental Receivable | 229,329 | 725,473 |
| | | |
| The net position/OPEB liability (asset) is not due and payable in the current period; therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds: | | |
| Deferred Outflows - Pension/OPEB | 9,495,011 | |
| Deferred Inflows - Pension/OPEB | (21,404,621) | |
| Net Pension/OPEB Asset/Liability | (20,600,950) | |
| | | (32,510,560) |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | | |
| General Obligation Bonds Payable | (11,930,000) | |
| Lease Payable | (120,049) | |
| Unamortized Premium on Bonds | (556,878) | |
| Deferred Charge on Refunding | (4,313) | |
| Accrued Interest Payable | (17,085) | |
| Vacation Leave Payable | (32,175) | |
| Compensated Absences Payable | (2,363,512) | (15,024,012) |
| | | |
| Net Position of Governmental Activities | | $21,447,447 |

See Accompanying Notes to the Basic Financial Statements

**Tecumseh Local School District**

*Statement of Revenues, Expenditures and Changes in Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2022*

| | GENERAL | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|
| **Revenues:** | | | |
| Property and Other Taxes | $7,523,815 | $1,633,875 | $9,157,690 |
| Intergovernmental | 22,725,357 | 6,474,374 | 29,199,731 |
| Interest/Change in Fair Value | (229,540) | 19,309 | (210,231) |
| Tuition and Fees | 651,747 | 0 | 651,747 |
| Rent | 41,562 | 0 | 41,562 |
| Extracurricular Activities | 19,469 | 244,491 | 263,960 |
| Gifts and Donations | 21,041 | 39,721 | 60,762 |
| Charges for Services | 124,098 | 205,703 | 329,801 |
| Miscellaneous | 118,181 | 15,690 | 133,871 |
| Total Revenues | 30,995,730 | 8,633,163 | 39,628,893 |
| **Expenditures:** | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 12,365,229 | 1,335,604 | 13,700,833 |
| Special | 5,100,899 | 966,100 | 6,066,999 |
| Vocational | 376,973 | 6,091 | 383,064 |
| Student Intervention Services | 733 | 304,505 | 305,238 |
| Other | 322,800 | 9,016 | 331,816 |
| Support Services: | | | |
| Pupils | 1,270,605 | 1,153,259 | 2,423,864 |
| Instructional Staff | 887,704 | 202,435 | 1,090,139 |
| Board of Education | 69,329 | 0 | 69,329 |
| Administration | 2,573,221 | 287,174 | 2,860,395 |
| Fiscal | 718,713 | 35,693 | 754,406 |
| Business | 14,778 | 0 | 14,778 |
| Operation and Maintenance of Plant | 3,281,018 | 1,312,505 | 4,593,523 |
| Pupil Transportation | 1,975,526 | 15,160 | 1,990,686 |
| Central | 152,373 | 0 | 152,373 |
| Operation of Non-Instructional Services | 94,286 | 1,628,328 | 1,722,614 |
| Extracurricular Activities | 467,932 | 262,961 | 730,893 |
| Debt Service: | | | |
| Principal Retirement | 84,459 | 985,000 | 1,069,459 |
| Interest and Fiscal Charges | 3,561 | 214,481 | 218,042 |
| Total Expenditures | 29,760,139 | 8,718,312 | 38,478,451 |
| Excess of Revenues Over (Under) Expenditures | 1,235,591 | (85,149) | 1,150,442 |
| **Other Financing Sources** | | | |
| Proceeds from Sale of Capital Assets | 2,000 | 0 | 2,000 |
| Other Financing Sources | 2,000 | 0 | 2,000 |
| Net Change in Fund Balances | 1,237,591 | (85,149) | 1,152,442 |
| Fund Balances at Beginning Of Year | 12,057,625 | 6,737,406 | 18,795,031 |
| Fund Balances at End of Year | $13,295,216 | $6,652,257 | $19,947,473 |

See Accompanying Notes to the Basic Financial Statements

## Tecumseh Local School District

*Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities*

*For the Fiscal Year Ended June 30, 2022*

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | | $1,152,442 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital Asset Additions | 15,936 | |
| Depreciation Expense | (2,906,994) | |
| Total | | (2,891,058) |
| The proceeds from the sale of capital assets are reported as an other financing source in the governmental funds. However, the cost of the capital assets is removed from the capital assets account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities. | | |
| Loss on Disposal of Capital Assets | | (36,966) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current fiscal year, these amounts consist of: | | |
| General Obligation Bonds | 985,000 | |
| Amortization of Deferred Inflow on Refunding Bonds | 719 | |
| Amortization of Premium on Bonds | 55,688 | |
| Amortization of Deferred Charge on Refunding Bonds | (48,951) | |
| Leases Payable | 84,459 | |
| Total | | 1,076,915 |
| Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are unavailable in the governmental funds. Unavailable revenues decreased by this amount this year. | | |
| Property Taxes | (113,331) | |
| Intergovernmental Grants | 83,995 | |
| | | (29,336) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 2,723,447 | |
| OPEB | 83,544 | |
| | | 2,806,991 |
| Except for amounts reported as deferred inflows/outflows, change in net pension/OPEB liability are reported as pension expense in the statement of activities. | | |
| Pension | 185,186 | |
| OPEB | 213,670 | |
| | | 398,856 |
| Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of: | | |
| Decrease in Vacation Leave Payable | 14,015 | |
| Decrease in Compensated Absences | 67,309 | |
| Decrease in Accrued Interest Payable | 1,576 | |
| Total | | 82,900 |
| Change in Net Position of Governmental Activities | | $2,560,744 |

See Accompanying Notes to the Basic Financial Statements

**Tecumseh 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, 2022*

| | BUDGETED AMOUNTS | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE WITH FINAL BUDGET |
| **Revenues:** | | | | |
| Property and Other Taxes | $7,665,566 | $3,462,000 | $8,361,419 | $4,899,419 |
| Tuition and Fees | 1,564,655 | 1,564,655 | 643,421 | (921,234) |
| Interest | 103,000 | 103,000 | 84,345 | (18,655) |
| Intergovernmental | 20,232,303 | 20,232,303 | 22,438,912 | 2,206,609 |
| Gifts and Donations | 0 | 0 | 2,550 | 2,550 |
| Rent | 40,000 | 40,000 | 41,781 | 1,781 |
| Miscellaneous | 572,065 | 572,065 | 72,236 | (499,829) |
| Total Revenues | 30,177,589 | 25,974,023 | 31,644,664 | 5,670,641 |
| | | | | |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 12,090,139 | 12,091,140 | 12,482,968 | (391,828) |
| Special | 4,977,242 | 4,977,745 | 5,099,358 | (121,613) |
| Vocational | 386,428 | 412,418 | 401,781 | 10,637 |
| Student Intervention Services | 0 | 0 | 733 | (733) |
| Other | 1,347,004 | 1,347,004 | 423,195 | 923,809 |
| Support Services: | | | | |
| Pupils | 1,825,842 | 1,825,840 | 1,417,318 | 408,522 |
| Instructional Staff | 1,040,355 | 1,040,355 | 956,233 | 84,122 |
| Board of Education | 103,928 | 103,928 | 91,420 | 12,508 |
| Administration | 2,889,153 | 2,888,156 | 2,592,230 | 295,926 |
| Fiscal | 780,666 | 781,416 | 747,695 | 33,721 |
| Business | 57,931 | 57,931 | 30,212 | 27,719 |
| Operation and Maintenance of Plant | 3,733,303 | 3,776,060 | 4,005,665 | (229,605) |
| Pupil Transportation | 1,974,859 | 2,077,861 | 2,354,279 | (276,418) |
| Central | 133,843 | 375,705 | 274,010 | 101,695 |
| Operation of Non-Instructional Services | 8 | 508 | 412 | 96 |
| Extracurricular Activities | 451,514 | 454,514 | 472,677 | (18,163) |
| Total Expenditures | 31,792,215 | 32,210,581 | 31,350,186 | 860,395 |
| | | | | |
| Excess of Revenues Under Expenditures | (1,614,626) | (6,236,558) | 294,478 | 6,531,036 |
| | | | | |
| **Other Financing Sources (Uses):** | | | | |
| Proceeds from Sale of Capital Assets | 0 | 0 | 2,000 | 2,000 |
| Insurance Recoveries | 15,000 | 15,000 | 0 | (15,000) |
| Refund of Prior Year Expenditure | 101,300 | 101,300 | 495 | (100,805) |
| Advance In | 650,000 | 650,000 | 353,601 | (296,399) |
| Advance Out | 0 | 0 | (676,532) | (676,532) |
| Total Other Financing Sources (Uses) | 766,300 | 766,300 | (320,436) | (1,086,736) |
| | | | | |
| Net Change in Fund Balances | (848,326) | (5,470,258) | (25,958) | 5,444,300 |
| | | | | |
| Fund Balance at Beginning of Year | 11,197,782 | 11,197,782 | 11,197,782 | 0 |
| Prior Year Encumbrances Appropriated | 992,261 | 992,261 | 992,261 | 0 |
| Fund Balance at End of Year | $11,341,717 | $6,719,785 | $12,164,085 | $5,444,300 |

See Accompanying Notes to the Basic Financial Statements

**Tecumseh Local School District**

*Statement of Changes in Fiduciary Net Position*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2022*

| | CUSTODIAL |
|---|---|
| **Additions** | |
| Miscellaneous | $78,182 |
| | |
| **Deductions** | |
| Payments to Other Organiztions | 83,299 |
| | |
| Change in Net Position | (5,117) |
| | |
| Net Position - Beginning of Year | 5,117 |
| | |
| Net Position - End of Year | $0 |

See accompanying notes to the basic financial statements

## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tecumseh 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 and provides educational services as mandated by State statute and federal guidelines.

The School District was established in 1875 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 50 square miles. It is located in Clark and Miami Counties, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It provides services to approximately 3,000 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one garage.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Tecumseh Local School District, this includes general operations, food service, latchkey, 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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 17 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**
Miami Valley Educational Computer Association
Clark County Family and Children First Council
Springfield-Clark Career Technology Center
Tecumseh Education Foundation

**Insurance Purchasing Pool:**
Southwestern Ohio Educational Purchasing Council

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tecumseh 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. The most significant of the School District's accounting policies are described below.

### A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

The statement of net position presents the financial condition of the governmental 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

### 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 School District divides its funds into two categories: governmental and fiduciary.

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

*Governmental Funds:*

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

> *General Fund* - The general fund is the operating fund of the School District and 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.

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

*Fiduciary Fund:*

Fiduciary fund reporting focuses on net position and change in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's custodial fund accounts for tournament and New Carlisle Library monies.

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., 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 and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

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

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental 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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension/OPEB. A deferred charge on refunding results from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources to pension/OPEB are explained in Note 11 and Note 12.

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

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension/OPEB, leases and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables, which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The deferred inflow of resources for leases is related to the lease receivable and is being amortized to rent revenue in a systematic a rational manner over the term of the lease. Deferred inflows of resources related to pension/OPEB are reported on the government-wide statement of net position. (See Note 11 and Note 12)

*Expenses/Expenditures:*

On the accrual basis of accounting, 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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, all 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."

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited in the School District Treasury.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit are reported at cost.

During fiscal year 2022 the School District invested in negotiable certificates of deposit, commercial paper, First American Treasury Obligations Fund, US Treasury Notes and US Government Agency Notes.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2022 amounted to ($229,540) due to the decrease in the market value of investments.

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

Investments of the 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 reported as cash equivalents.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Capital Assets**

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. 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.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

The School District is reporting an intangible right to use assets related to leased equipment. The intangible assets are being amortized in a systematic and rational matter of the shorter of the lease term or useful life of the underlying asset.

Depreciation and amortization is computed using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|---|---|
| Land Improvements | 10 years |
| Buildings and Improvements | 30 years |
| Furniture/Equipment/Fixtures | 5-10 years |
| Vehicles | 10 years |
| Intangible - Right to Use: Leased Equipment | 5 years |

**H. Accrued Liabilities and Long-term Obligations**

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In general, 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 governmental funds. However, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

### I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 for administrators because they can use their balance until the end of August and can request a cash payout of up to 10 days.

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 reported as liabilities and expenditures 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 funds from which the employees will be paid.

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

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

### K. 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:

> Non-spendable – The non-spendable 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.

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

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 is imposed by law through constitutional provisions.

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

Assigned – Amounts in the assigned classification are intended to be used by the 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. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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 fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

**L. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the restricted net position amounts were restricted by enabling legislation.

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

**M. Bond Discounts/Premiums**

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Bond premiums/discounts are presented as additions/reductions to the face amount of the bonds payable. On the government-wide fund financial statements, bond premiums and discounts are recognized in the period in which the debt is issued.

**N. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 and are eliminated on the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. On the fund statements, receivables and payables resulting from short-term loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the Statement of Net Position.

**O. Estimates**

The preparation of the 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.

**P. Budgetary Data**

All funds, other than the custodial fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2022.

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

## NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

3. Encumbrances are treated as expenditures (budget) rather than as assigned fund balance (GAAP).

4. Perspective differences as a result of fund structure differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | $1,237,591 |
| Revenue Accruals | 844,569 |
| Expenditure Accruals | (152,354) |
| Perspective Differences | (47,805) |
| Advances | (322,931) |
| Encumbrances | (1,585,028) |
| Budget Basis | ($25,958) |

## NOTE 4 - FUND DEFICITS

The ESSER, Student Wellness, Idea Part B, Title I, Title II-A, Title I-C Migrant and Title III special revenue funds had deficit fund balances at June 30, 2022, of $127,228, $112,391, $13,097, $42,255, $7,984, $5,619, $271, respectively. Management expects the remaining deficits in these funds to be corrected in early fiscal year 2023 when grant dollars are received.

## NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 monies are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to 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 Ohio Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. 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;

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

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited with a qualified trustee by the financial institution as security for repayment, whose market value at all times shall be at least 105 percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the State to secure the repayment of all public monies deposited with the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At fiscal year-end, the carrying amount of the School District's deposits was $9,061,784 and the bank balance was $9,242,580. The entire bank balance was insured by federal depository insurance or was collateralized through the OPCS.

***Investments***

At June 30, 2022, the School District had the following investments:

| | Investment Maturity | | | |
|---|---|---|---|---|
| **Investment** | Less than 1 Yr | 1-2 Years | 3-5 Years | Grand Total |
| First American Treasury Obligations Fund | $ 13,694 | $0 | $0 | $13,694 |
| US Government Agency Notes | - | 759,565 | 1,461,166 | 2,220,731 |
| US Treasury Notes | - | 99,268 | 199,031 | 298,299 |
| Negotiable Certificates of Deposit | 1,225,298 | 1,458,386 | 1,430,201 | 4,113,885 |
| Commercial Paper | 5,687,033 | - | - | 5,687,033 |
| | $ 6,926,025 | $2,317,219 | $3,090,398 | $12,333,642 |

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The School District's investment in First American Treasury Obligations Fund is valued using quoted market prices in active markets (Level 1 inputs). The School District's investments in US Government Agency Notes, US Treasury Notes, commercial paper and negotiable certificates of deposits are valued using quoted princes in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). The above table identifies the School District's recurring fair value measurements as of June 30, 2022.

*Interest Rate Risk* - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. Moody's rates the School District's investment in the commercial paper as P-1. Moody's rates the School District's investment in the US Government Agency Notes and US Treasury Notes as Aaa.

*Concentration of Credit Risk* - The School District places no limits on the amount the School District may invest in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2022:

| Investment | Percent |
|---|---|
| Negotiable CDS | 33.4% |
| First American Treasury Obligations Fund | 0.1% |
| Commerical Paper | 46.1% |
| US Treasury Notes | 2.4% |
| US Government Agency Notes | 18.0% |
| Total | 100.0% |

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

## NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clark County and Miami County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2022, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been shown as a deferred inflow of resources.

The amount available as an advance at June 30, 2022, was $773,576 in the general fund and $278,017 in the other governmental funds. The amount available as an advance at June 30, 2021, was $2,103,680 in the general fund and $500,471 in the other governmental funds.

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

The assessed values upon which the fiscal year 2022 taxes were collected are:

| | 2021 Second-Half Collections | | 2022 First-Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | $308,436,310 | 95.3% | $309,420,750 | 95.1% |
| Public Utility Personal | 15,082,710 | 4.7 | 15,904,330 | 4.9 |
| Total | $323,519,020 | 100.0% | $325,325,080 | 100.0% |
| Tax Rate per $1,000 of Assessed Valuation | $43.89 | | $43.77 | |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2022, consisted of property taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables is as follows:

| Intergovernmental Receivable | Amounts |
|---|---|
| Governmental Activities: | |
| High Schools That Work Grant | $6,329 |
| Elementary/Secondary Emergency Relief | 641,584 |
| EOEC | 25,645 |
| Title I-C Migrant | 37,813 |
| School Quality Improvement | 55,420 |
| Title I - Non-competitive, Supplemental School Improvement | 216 |
| Medicaid Reimbursements | 287,933 |
| Title I | 160,405 |
| IDEA-B Special Education | 172,122 |
| Foundation FY 22 monies | 9,186 |
| Title IV-A Student Support and Academic Enrichment | 50,920 |
| ARP ECSE | 3,639 |
| Title II-A Supporting Effective Instruction | 28,400 |
| Total Governmental Activities | $1,479,612 |

## NOTE 8 – LEASES RECEIVABLE

The School District is reporting leases receivable of $79,000 in the general fund. For fiscal year 2022, the School District recognized lease revenue of $35,745, which is reported in rental income, and interest revenue of $219.

The School District has entered into lease agreements for building rental space as follows:

| Company | Lease Commencement Date | Years | Lease End Date | Payment Amount | Payment Method |
|---|---|---|---|---|---|
| Miami Valley Child Dev. Centers, Inc. | Aug-20 | 2 | May-22 | $3,992 | 10 monthly payments/year |
| Miami Valley Child Dev. Centers, Inc. | Aug-22 | 2 | May-24 | $3,992 | 10 monthly payments/year |

Lease payments will be paid into the general fund. The following is a schedule of future lease payments under the lease agreements.

| Fiscal Year | Leases Receivable | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2023 | $39,303 | $617 | $39,920 |
| 2024 | 39,697 | 223 | 39,920 |
| | $79,000 | $840 | $79,840 |

## NOTE 9 - CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2022, was as follows:

| | Restated Balance 6/30/21 | Additions | Deletions | Balance 6/30/22 |
|---|---|---|---|---|
| **Governmental Assets** | | | | |
| ***Capital Assets, not being depreciated*** | | | | |
| Land | $520,022 | $0 | $0 | $520,022 |
| Total Capital Assets, not being depreciated | 520,022 | 0 | 0 | 520,022 |
| ***Capital Assets, being depreciated*** | | | | |
| Land Improvements | 76,366 | - | - | 76,366 |
| Building and Improvements | 85,414,019 | 15,936 | - | 85,429,955 |
| Furniture/Equipment/Fixtures | 3,036,163 | - | (146,184) | 2,889,979 |
| Vehicles | 2,980,836 | - | (195,206) | 2,785,630 |
| Intangible - Right to Use: Leased Equipment | 204,508 | - | - | 204,508 |
| Total Capital Assets, being depreciated | 91,711,892 | 15,936 | (341,390) | 91,386,438 |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | (47,401) | (1,825) | - | (49,226) |
| Building and Improvements | (37,065,918) | (2,553,406) | - | (39,619,324) |
| Furniture/Equipment/Fixtures | (2,326,678) | (155,573) | 128,738 | (2,353,513) |
| Vehicles | (2,044,326) | (111,731) | 175,686 | (1,980,371) |
| Intangible - Right to Use: Leased Equipment | - | (84,459) | - | (84,459) |
| Total Accumulated Depreciation and Amortization | (41,484,323) | (2,906,994) | 304,424 | (44,086,893) |
| Total Capital Assets, being depreciated, net | 50,227,569 | (2,891,058) | (36,966) | 47,299,545 |
| Governmental Activities Capital Assets, net | $50,747,591 | ($2,891,058) | ($36,966) | $47,819,567 |

Depreciation and amortization expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction: | |
| Regular | $14,912 |
| Special | 1,290 |
| Vocational | 1,759 |
| Support Services: | |
| Administration | 2,587 |
| Operation and Maintenance of Plant | 132,827 |
| Pupil Transportation | 119,273 |
| Extracurricular Activities | 299 |
| Unallocated | 2,634,047 |
| Total | $2,906,994 |

## NOTE 10 - RISK MANAGEMENT

### A. Property and Liability

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 2022, the School District contracted with Arthur J. Gallagher & Co. through the Southwestern Ohio Educational Purchasing Cooperative for property, general liability and automobile insurance.

Coverage provided by Arthur J. Gallagher & Co. is as follows:

| | |
|---|---|
| Building and Contents | $146,244,609 |
| Excess Property | 250,000,000 |
| Crime Insurance ($5,000 deductible) | 1,000,000 |
| Automobile Liability | 1,000,000 |
| School Errors & Omissions Liability | 4,000,000 |
| General Liability | 3,000,000 |
| Excess Liability | 4,000,000 |
| Fiduciary Liability ($1,500) deductible | 1,000,000 |

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

### B. Workers' Compensation

For fiscal year 2022, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 17). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

## NOTE 11 - DEFINED BENEFIT PENSION PLANS

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions 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 already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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.

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

GASB 68 assumes 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 these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2021, the Board of Trustees approved a 2.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

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, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was $654,452 for fiscal year 2022. Of this contribution, $17,246 is shown as intergovernmental payable.

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

Plan Description – School District licensed teachers and other 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 stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In 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 year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was $2,068,995 fiscal year 2022. Of this amount $336,832 is reported as an intergovernmental payable.

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

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability | $5,103,636 | $15,332,983 | $20,436,619 |
| Proportion of the Net Pension Liability | | | |
| Prior Measurement Date | 0.13289050% | 0.12248951% | |
| Current Measurement Date | 0.13832080% | 0.11992104% | |
| Change in Proportionate Share | 0.00543030% | -0.00256847% | |
| Pension Expense | ($173,518) | ($11,668) | ($185,186) |

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $492 | $473,715 | $474,207 |
| Changes of assumptions | 107,468 | 4,253,644 | 4,361,112 |
| Difference between School District contributions and proportionate share of contributions | 204,554 | 627,865 | 832,419 |
| School District contributions subsequent to the measurement date | 654,452 | 2,068,995 | 2,723,447 |
| Total Deferred Outflows of Resources | $966,966 | $7,424,219 | $8,391,185 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $132,358 | $96,106 | $228,464 |
| Net difference between projected and actual earnings on pension plan investments | 2,628,522 | 13,214,096 | 15,842,618 |
| Difference between School District contributions and proportionate share of contributions | 13,216 | 691,336 | 704,552 |
| Total Deferred Inflows of Resources | $2,774,096 | $14,001,538 | $16,775,634 |

$2,723,147 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 year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2023 | ($531,764) | ($2,156,123) | ($2,687,887) |
| 2024 | ($498,054) | ($1,700,112) | ($2,198,166) |
| 2025 | ($624,968) | ($2,077,284) | ($2,702,252) |
| 2026 | ($806,796) | ($2,712,795) | ($3,519,591) |
| Total | ($2,461,582) | ($8,646,314) | ($11,107,896) |

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

| | Prior Year | Current Year |
|---|---|---|
| Wage inflation | 3.00% | 2.40% |
| Future salary increases, including inflation | 3.50% to 18.20% | 3.25% to13.58% |
| COLA or ad hoc COLA | 2.50% | 2.00% |
| Investment rate of return | 7.50% net of system expenses | 7.00% net of system expenses |
| Discount Rate | 7.50% | 7.00% |
| Actuarial cost method | Entry age normal (level % of payroll) | Entry age normal (level % of payroll) |

In 2021, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.2% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined by 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% | -0.33% |
| US Equity | 24.75% | 5.72% |
| Non-US Equity Developed | 13.50% | 6.55% |
| Noon-US Equity Emerging | 6.75% | 8.54% |
| Fixed Income/Global Bonds | 19.00% | 1.14% |
| Private Equity | 11.00% | 10.03% |
| Real Estate/Real Assets | 16.00% | 5.41% |
| Multi-Asset Strategy | 4.00% | 3.47% |
| Private Debt/Private Credit | 3.00% | 5.28% |
| | 100.00% | |

***Discount Rate*** The total pension liability was calculated using the discount rate of 7.00 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 (7.00 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 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $8,491,198 | $5,103,636 | $2,246,758 |

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2021, actuarial valuation.

| | Prior Year | Current Year |
|---|---|---|
| Inflation | 2.50% | 2.50% |
| Future salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45% net of investment expenses, including inflation | 7.00% net of investment expenses, including inflation |
| Discount rate of return | 7.45% | 7.00% |
| Payroll increases | 3.00% | 3.00% |
| COLA or ad hoc COLA | 0.00% | 0.00% |

For the June 30, 2021, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

***Discount Rate*** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that 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, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

***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 7.00 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 (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $28,712,938 | $15,332,983 | $4,026,949 |

***Changes in Actuarial Assumptions between Measurement Date and the Fiscal Year End*** STRS approved a one-time 3% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect his change will have on the net pension liability.

**NOTE 12 – DEFINED BENEFIT OPEB PLANS**

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

The net OPEB liability (asset) reported on the statement of net position represents a liability (asset) to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

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

GASB 75 assumes the liability (asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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

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

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

**NOTE 12 – 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 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was $25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was $83,544.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $83,544 for fiscal year 2022. Of this amount $83,544 is reported as an intergovernmental payable.

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

***Plan Description*** The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and a portion of the monthly Medicare Part B premiums. The Medicare Part B monthly reimbursements elimination was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

***Funding Policy*** Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2021, 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:

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

| | SERS | STRS | |
|---|---|---|---|
| Proportion of the Net OPEB Liability | | | |
| Prior Measurement Date | 0.13515370% | 0.12248951% | |
| Current Measurement Date | 0.14228010% | 0.11992104% | |
| Change in Proportionate Share | 0.00712640% | -0.00256847% | |
| Proportionate Share of the Net OPEB Liability (Asset) | $2,692,768 | ($2,528,437) | $164,331 |
| OPEB Expense | $11,032 | ($224,702) | ($213,670) |

At June 30, 2022, 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 | $28,703 | $90,030 | $118,733 |
| Changes of assumptions | 422,431 | 161,506 | 583,937 |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 296,746 | 20,866 | 317,612 |
| School District contributions subsequent to the measurement date | 83,544 | 0 | 83,544 |
| Total Deferred Outflows of Resources | $831,424 | $272,402 | $1,103,826 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $1,341,120 | $463,255 | $1,804,375 |
| Changes of assumptions | 368,752 | 700,839 | 1,069,591 |
| Net difference between projected and actual earnings on OPEB plan investments | 58,501 | 1,508,397 | 1,566,898 |
| Changes in Proportionate Share and difference between School District contributions and proportionate share of contributions | 31,213 | 156,910 | 188,123 |
| Total Deferred Inflows of Resources | $1,799,586 | $2,829,401 | $4,628,987 |

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

$83,544 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 in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2023 | ($236,106) | ($738,721) | ($974,827) |
| 2024 | (236,512) | (721,181) | (957,693) |
| 2025 | (245,113) | (710,336) | (955,449) |
| 2026 | (216,614) | (289,053) | (505,667) |
| 2027 | (117,361) | (99,793) | (217,154) |
| Thereafter | 0 | 2,085 | 2,085 |
| Total | ($1,051,706) | ($2,556,999) | ($3,608,705) |

***Actuarial Assumptions - SERS***

SERS' total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

| | Prior Year | Current Year |
|---|---|---|
| Wage inflation | 3.00% | 2.40% |
| Future salary increases, including inflation | 3.50% to 18.20% | 3.25% to13.58% |
| Investment rate of return | 7.50% net of system expenses | 7.00% net of system expenses |
| Municipal bond index rate | 2.45% | 1.92% |
| Single equivalent interest rate, net of plan investment expense, including price inflation | 2.63% | 2.27% |
| Medical trend assumption | | |
| Medicare | 5.5 to 4.75% | 5.125 to 4.400%% |
| Pre-Medicare | 7.00 to 4.75% | 6.750 to 4.400%% |

In 2021, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.2% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 2020.

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 2015 through 2020, and was adopted by the Board on April 21, 2021. 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, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash | 2.00% | -0.33% |
| US Equity | 24.75% | 5.72% |
| Non-US Equity Developed | 13.50% | 6.55% |
| Noon-US Equity Emerging | 6.75% | 8.54% |
| Fixed Income/Global Bonds | 19.00% | 1.14% |
| Private Equity | 11.00% | 10.03% |
| Real Estate/Real Assets | 16.00% | 5.41% |
| Multi-Asset Strategy | 4.00% | 3.47% |
| Private Debt/Private Credit | 3.00% | 5.28% |
| | 100.00% | |

***Discount Rate*** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability at June 30, 2020, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no 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 of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

***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 rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.4%) and higher (7.75% decreasing to 5.4%) than the current rate (6.75% decreasing to 4.40%).

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $3,336,665 | $2,692,768 | $2,178,376 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $2,073,210 | $2,692,768 | $3,520,306 |

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2021, actuarial valuation.

| | Prior Year | Current Year |
|---|---|---|
| Inflation | 2.50% | 2.50% |
| Future salary increases | 12.50% at age 20 to 2.50% at age 65 | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45% net of investment expenses, including inflation | 7.00% net of investment expenses, including inflation |
| Payroll increases | 3.00% | 3.00% |
| Discount rate of return | 7.45% | 7.00% |
| COLA or ad hoc COLA | 0.00% | 0.00% |
| Blended discount rate of return | N/A | N/A |

| | Initial | Ultimate | Initial | Ultimate |
|---|---|---|---|---|
| Medical | | | | |
| Pre-Medicare | 5.00% | 4.00% | 5.00% | 4.00% |
| Medicare | -6.69% | 4.00% | -16.18% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 6.50% | 4.00% | 6.50% | 4.00% |
| Medicare | 11.87% | 4.00% | 29.98% | 4.00% |

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

***Assumption Changes Since the Prior Measurement Date*** – The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

***Benefit Term Changes Since the Measurement Date*** – The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.1%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

**NOTE 12 – DEFINED BENEFIT OPEB PLANS** (continued)

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

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

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

***Discount Rate*** The discount rate used to measure the total OPEB asset was 7.00 percent as of June 30, 2021. 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 to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 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 (6.00 percent) or one percentage point higher (8.00 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 | Current Discount Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB (asset) | ($2,133,610) | ($2,528,437) | ($2,858,256) |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB (asset) | ($2,844,892) | ($2,528,437) | ($2,137,112) |

## NOTE 13 - OTHER EMPLOYEE BENEFITS

### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation leave must be used by each employee prior to the end of their contract year. Administrators may request to have up to 10 days paid. Unused vacation time, earned within a contract year, is paid to classified employees and administrators upon retirement. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for all personnel, except administrators. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum 62 days for all employees with ten years of service with the State, any political subdivisions, or any combination thereof. Administrators may accumulate up to a maximum of 302 days depending upon their position. Upon retirement, payment is made at 20% of the sick leave plus 12% of 80 days of unused sick leave and personal leave accumulated above the maximum sick leave.

### B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Fort Dearborn, administered by CoreSource. The School District provides health insurance coverage through United Health Care of Ohio, Inc. Each employee share of the total core premium was 17 percent of the monthly premium, with the option of the employee paying for any plan buy-up. Dental insurance is provided through Delta Dental and vision benefits are provided through Vision Service Plan.

## NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2022, the School District had contractual purchase commitments as follows:

| Vendor | Amount | Expended | Balance |
|---|---|---|---|
| American Suncraft Co Inc | $ 340,225 | $ - | $ 340,225 |
| Garland/DBS Inc | 696,844 | 477,573 | 219,271 |
| Kleinfelder, Inc | 32,880 | - | 32,880 |

## NOTE 15 - LONG-TERM OBLIGATIONS

Due to the implementation of GASB Statement No. 87 (see Note 23 for detail), the School District has reported obligations for leases payable which are reflected in the schedule below. The changes in the School District's long-term obligations during fiscal year 2022 were as follows:

| | Restated Amount Outstanding 6/30/21 | Additions | Deletions | Amount Outstanding 6/30/22 | Amount Due in One Year |
|---|---|---|---|---|---|
| **Govermental Activities** | | | | | |
| Refunding Bonds 2020 | | | | | |
| Term Bonds | $5,545,000 | 0 | ($95,000) | $5,450,000 | $90,000 |
| Refunding Bonds 2012 | | | | | |
| Serial & Term Bonds | 1,815,000 | 0 | (890,000) | 925,000 | 925,000 |
| Refunding Bonds 2019 | | | | | |
| Term Bonds | 5,555,000 | 0 | 0 | 5,555,000 | 0 |
| Total General Obligation Bonds | 12,915,000 | 0 | (985,000) | 11,930,000 | 1,015,000 |
| Unamortized Premium on Bonds | | | | | |
| Refunding Bonds 2012 | 557,055 | 0 | (50,641) | 506,414 | 0 |
| Refunding Bonds 2019 | 55,511 | 0 | (5,047) | 50,464 | 0 |
| Total Unamortized Premiums on Bonds | 612,566 | 0 | (55,688) | 556,878 | 0 |
| Net Pension Liability | | | | | |
| SERS | 8,789,658 | 0 | (3,686,022) | 5,103,636 | 0 |
| STRS | 29,638,103 | 0 | (14,305,120) | 15,332,983 | 0 |
| Total Net Pension Liability | 38,427,761 | 0 | (17,991,142) | 20,436,619 | 0 |
| Net OPEB Liability | | | | | |
| SERS | 2,937,332 | 0 | (244,564) | 2,692,768 | 0 |
| Total Net OPEB Liability | 2,937,332 | 0 | (244,564) | 2,692,768 | 0 |
| Leases Payable | 204,508 | 0 | (84,459) | 120,049 | 86,343 |
| Compensated Absences | 2,430,821 | 10,952 | (78,261) | 2,363,512 | 25,893 |
| Total Governmental Activities | $57,527,988 | $10,952 | ($19,439,114) | $38,099,826 | $1,127,236 |

**NOTE 15 - LONG-TERM OBLIGATIONS** (continued)

Compensated absences will be paid from the general fund and the food service and latchkey funds.

**Refunding Bonds 2012**

On December 27, 2012, the School District issued $8,819,991 in bonds for refunding $8,820,000 of the 2004 general obligation bonds with interest rates ranging from 4.2% to 4.75%. Of the refunding bonds issued, $6,350,000 was serial bonds with interest rates ranging from 2-4% and mature December 31, 2031. The $1,510,000 in term bonds has interest rates ranging from 2-3% and mature December 31, 2028. $959,991 is capital appreciation bonds (maturity amount of $115,000 on December 1, 2015, $820,000 on December 1, 2016 and $880,000 on December 1, 2020.)

**Refunding Bonds 2019**

On September 5, 2019, the School District issued $5,555,000 in bonds for refunding $5,555,000 of the 2012 general obligation bonds with interest rates ranging from 3% to 4%. The refunding bonds issued are term bonds with interest rates of 2.2%. and mature December 1, 2031.

**Refunding Bonds 2020**

On October 29, 2020, the School District issued $5,545,000 in bonds for refunding $5,545,000 of the 2013 general obligation bonds with interest rates ranging from 1 to 3%. The refunding bonds issued are term bonds with interest rates of 1.18%.

The School District's overall legal debt margin was $18,692,337 and the un-voted debt margin was $325,325 at June 30, 2022.

The School District's debt service requirements at June 30, 2022, were as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $1,015,000 | $195,239 | $1,210,239 |
| 2024 | 1,040,000 | 179,246 | 1,219,246 |
| 2025 | 1,060,000 | 166,703 | 1,226,703 |
| 2026 | 1,075,000 | 153,953 | 1,228,953 |
| 2027 | 1,125,000 | 140,820 | 1,265,820 |
| 2028-2032 | 6,615,000 | 374,063 | 6,989,063 |
| Total | $11,930,000 | $1,210,024 | $13,140,024 |

**NOTE 15 - LONG-TERM OBLIGATIONS** (continued)

**Leases Payable**

The School District has entered into lease agreements for the right to use equipment. Due to the implementation of GASB Statement No. 87, the School District will report an intangible capital asset and corresponding liability for the future schedule payments under the leases. The lease payments will be paid from the general fund.

The School District has entered into lease agreements for copier equipment with the following terms:

| Company | Lease Commencement Date | Years | Lease End Date | Payment Amount | Payment Method |
|---|---|---|---|---|---|
| ProSource | Aug-18 | 5 | Jul-23 | $6,347 | monthly |
| ProSource | Nov-20 | 5 | Dec-25 | 988 | monthly |

The following is a schedule of future lease payments under the lease agreements.

| Fiscal Year | Leases Payable | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2023 | $86,343 | $1,677 | $88,020 |
| 2024 | 18,029 | 173 | 18,202 |
| 2025 | 11,735 | 121 | 11,856 |
| 2026 | 3,942 | 10 | 3,952 |
| | $120,049 | $1,981 | $122,030 |

## NOTE 16 – 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 | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Nonspendable: | | | |
| Prepaid Items | $ 179,710 | $ - | $ 179,710 |
| Permanent Fund Principal | - | 2,000 | 2,000 |
| Unclaimed Checks | 34,115 | - | 34,115 |
| Total Nonspendable | 213,825 | 2,000 | 215,825 |
| Restricted for: | | | |
| Food Service | - | 1,873,064 | 1,873,064 |
| Classroom Maintenance | - | 833,871 | 833,871 |
| Athletics/Student Activities | - | 195,534 | 195,534 |
| Permanent Fund | - | 450 | 450 |
| Capital Improvements | - | 2,349,716 | 2,349,716 |
| Debt Service | - | 1,343,080 | 1,343,080 |
| State and Federal Grants | - | 363,387 | 363,387 |
| Budget Stabilization Reserve | 80,032 | - | 80,032 |
| Total Restricted | 80,032 | 6,959,102 | 7,039,134 |
| Assigned for: | | | |
| Latchkey | 211,405 | - | 211,405 |
| Unpaid Obligations | 1,280,980 | - | 1,280,980 |
| Public School Support | 129,742 | - | 129,742 |
| Total Assigned | 1,622,127 | - | 1,622,127 |
| Unassigned | 11,379,232 | (308,845) | 11,070,387 |
| Total Fund Balance | $ 13,295,216 | $ 6,652,257 | $ 19,947,473 |

## NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

### A. Jointly Governed Organizations

*Miami Valley Educational Computer Association* - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public-school districts within the boundaries of Clark, Clinton, Greene, Highland, Fayette, Madison, Montgomery and Ross 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 school districts. The governing board of MVECA consists of seven representatives from the member districts. Not less than two members are superintendents of the member districts and not less than two are treasurers of the member districts.

The School District paid MVECA $114,158 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

*Clark County Family and Children First Council* - The Clark County Family and Children First Council (FCFC) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of representatives of each of the members of the Council, and representatives of those additional entities required to be represented on the Council pursuant to Section 121.37 of the Ohio Revised Code. The school districts in Clark County must appoint a superintendent of one of the schools to represent them on the eighteen-member Board. Currently, the superintendent of the Clark County Educational Service Center serves as this representative. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Tecumseh Local School District did not have any payments to the FCFC during fiscal year 2022.

Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Leslie Crew, who serves as Executive Director, at 1345 Lagonda Avenue, Springfield, Ohio 45503.

*Springfield-Clark Career Technology Center* - The Springfield-Clark Career Technology Center (CTC) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one or two representatives from each of the eight participating school districts' and educational service center's elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following: Clark Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Clark County Educational Service Center. Two members are appointed from the Springfield City School District.

**<u>NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS</u>** (continued)

The School District did not make any financial contributions to the CTC during fiscal year 2022. To obtain financial information, write to the Springfield-Clark Career Technology Center, Julie Wallace, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4239.

*Tecumseh Education Foundation* – The Tecumseh Education Foundation (TEF) is a non-profit community organization of business, civic, industry and educational interests whose purpose is to secure and distribute contributions to assist the School District in enabling students to achieve their individual potential. The Board of Trustees is comprised of eleven representatives who are nominated and elected by a majority vote by the present trustees. One member of the Tecumseh Local School District Board is designated annually by the Tecumseh Local School District Board to serve as one of the eleven trustees.

Each of the elected trustees serves a three-year term, with one-third of the trustees being elected every year. The Superintendent of the School District will serve in an ex officio capacity on a continuing basis. Officers of the TEF are elected annually by the Board of Trustees. The officers of the foundation shall consist of a President, a Vice-President, a Secretary, a Treasurer and other offices as the Board of Trustees may appoint. The President and Vice-President of the Board of Trustees shall be members of the Board of Trustees. The Secretary and Treasurer need not be members of the Board of Trustees.

The School District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The School District contributed $348 to TEF during fiscal year 2022. During fiscal year 2008, the TEF received an endowment for $2.4 million that is to be used to provide scholarships to Tecumseh LSD graduates. The money was turned over to the Springfield Foundation to administer the program. To obtain financial information write to the Tecumseh Educational Foundation, Kevin Harmon, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

**<u>B. Insurance Purchasing Pool</u>**

*Southwestern Ohio Educational Purchasing Council* - The district participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), an insurance purchasing pool, for property, workers' compensation and medical insurance. The SOEPC was established under Section 2744.081 of the Ohio Revised Code. SOEPC 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. SOEPC's business and affairs are conducted by a board consisting of seven school administrators, who are elected by the membership each year.

In addition, the cooperative hires attorneys, auditors and actuaries to assist in running the day-to-day program. Gallagher is responsible for the insurance program administration. JWF Specialty Company is responsible for processing claims between SOEPC and its members. Payments to SOEPC are made from the General Fund. During fiscal year 2022, the School District paid $176,105 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

## NOTE 18 - SET-ASIDE CALCULATIONS

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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2022.

| | Capital Acquisitions |
|---|---|
| Set-aside Reserve Balance as of June 30, 2021 | $0 |
| Current Year Set-aside Requirement | 524,215 |
| Offsets - Capital Maintenance Levy | (234,748) |
| Prior Year Offset from Bond Proceeds | (166,584) |
| Qualifying Disbursements | (122,883) |
| Totals | $0 |
| Set-aside Balances Carried Forward to Future Fiscal Years | $0 |
| Set-aside Reserve Balances as of June 30, 2022 | $0 |

The School District had current year offsets that reduced the capital improvements set-aside amount to zero. During prior years, District issued capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was $17,630,267 at June 30, 2022.

In accordance with legislative requirements, the School District continues to maintain funds in the amount $80,032 that were related to workers' compensation rebates in the budget stabilization reserve, which has been combined with the general fund. The School District's budget stabilization account is comprised entirely of workers' compensation rebate funds.

## NOTE 19 – INTERFUND TRANSACTIONS

At June 30, 2022, the School District had a short-term interfund loan with the General Fund in the amount of $676,532. The following funds owed the General Fund:

| Fund | Amount |
|---|---|
| High Schools That Work | $1,211 |
| Title III LEP | 271 |
| Title IC - Migrant | 11,951 |
| ESSER | 492,428 |
| IDEA Part B | 66,717 |
| Title IV-A | 21,292 |
| Title 1 | 72,067 |
| Title I - Supplemental School Improvement Grant | 216 |
| ARP IDEA Early Childhood Special Education | 340 |
| Title II-A | 10,039 |
| Total | $676,532 |

## NOTE 20 - CONTINGENCIES

### Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2022.

### Foundation Funding

The School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result, the impact of enrollment adjustments to fiscal year 2022 foundation funding was a receivable of $9,186.

### Litigation

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

## NOTE 21 – TAX ABATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the District is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

### *Enterprise Zone Program*

The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real property tax exemptions to businesses making investments in Ohio. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real property investment when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are not eligible. The zone's geographic area is identified by the local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the Director of ODSA. The Director must then certify the area for it to become an active Enterprise Zone. Local communities may offer tax incentives for non-retail projects that are establishing or expanding operations in the State of Ohio. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins.

Businesses located in an Enterprise Zone may negotiate exemptions on new property tax from investment for up to seventy-five percent for ten years. For commercial projects, job retention and/or creation is also required. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. Agreements must be in place before the project begins. Pursuant to the terms of such agreements, if the actual number of employee positions created or retained by the business in any three-year period during which the agreement is in effect is not equal to or greater than seventy-five percent of the number of employee positions estimated to be created or retained under the agreement, the business shall repay the amount of taxes on property that would have been payable had the property not been exempted. In addition, the local governments may terminate or modify the exemptions from taxation granted under the agreement if the terms of the agreement are not met.

Tecumseh Local School District falls within an enterprise zone created by Clark County. In 2013, Blackhorse Energy LLC entered into an agreement with Clark County for a 10 year, 60% tax abatement. Taxes foregone by the School District was $13,689 for tax year 2021.

## NOTE 22 - COVID-19 PANDEMIC

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 of 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The School District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

## NOTE 23 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES AND NET POSITION

For fiscal year 2022, the School District has implemented GASB Statement No. 87, "*Leases*", GASB Implementation Guide 2019-3, "*Leases",* and GASB Statement No. 89, "*Accounting for Interest Costs Incurred before the End of a Construction Period*", GASB Implementation Guide 2020-1, "*Implementation Guide Update – 2020*, GASB Statement No. 92, "*Omnibus 2020*", GASB Statement No. 93, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*" and certain paragraphs of GASB Statement No. 99, "*Omnibus 2022*".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use and underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the School District's fiscal year 2022 financial statements. The School District recognized $39,697 in governmental activities in leases receivable at July 1, 2021, due to the implementation of GASB 87; however, this entire amount was offset by deferred inflows of resources for leases. In addition, the School District recognized $204,508 in governmental activities leases payable at July1, 2021; however, this entire amount was offset by the intangible asset, right to use lease – equipment.

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statement of the School District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the School District.

**NOTE 23 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES AND NET POSITION** (continued)

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the School District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statement of the School District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, deferred contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary components in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature y addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implantation of GASB Statement No. 99 did not have an effect on the financial statements of the School District.

**NOTE 24 – SUBSEQUENT EVENTS**

On November 18, 2022, the School District paid Advanced Mechanical $299,964 from the Permanent Improvement fund for two replacement boilers installed at Tecumseh High School.

On September 27, 2022, the School District contracted with Garland/DBS Inc to replace the roof over the Reynolds Gym at the high school for the amount of $359,864. It will be paid from the Permanent Improvement Fund.

**Tecumseh 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 Nine Fiscal Years (1)*

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| School District's Proportion of the Net Pension Liability | 0.1383208% | 0.1328905% | 0.1338490% |
| School District's Proportionate Share of the Net Pension Liability | $5,103,636 | $8,789,658 | $8,008,420 |
| School District's Covered Employee Payroll | $4,762,857 | $4,656,057 | $4,609,504 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 107.15% | 188.78% | 173.74% |
| Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability | 82.86% | 68.55% | 70.85% |

(1) Information Prior to 2014 is not available

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

See accompanying notes to the required supplementary information

| | | | | | |
|---|---|---|---|---|---|
| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| 0.1332431% | 0.1275512% | 0.1299496% | 0.1378480% | 0.1391220% | 0.1391220% |
| $7,631,079 | $7,620,902 | $9,511,112 | $7,865,723 | $7,040,888 | $8,273,139 |
| $4,088,570 | $4,276,450 | $4,035,750 | $4,408,134 | $4,083,442 | $3,977,399 |
| 186.64% | 178.21% | 235.67% | 178.44% | 172.43% | 208.00% |
| 71.36% | 69.50% | 62.98% | 69.16% | 71.70% | 65.62% |

**Tecumseh 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 Nine Fiscal Years (1)*

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| School District's Proportion of the Net Pension Liability | 0.11992104% | 0.12248951% | 0.12263732% |
| School District's Proportionate Share of the Net Pension Liability | $15,332,983 | $29,638,103 | $27,120,506 |
| School District's Covered Employee Payroll | $15,464,500 | $14,810,650 | $14,858,014 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 99.15% | 200.11% | 182.53% |
| Plan Fiduciary Net Position as a Percentage Of the Total Net Pension Liability | 87.78% | 75.48% | 77.40% |

(1) Information Prior to 2014 is not available

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

See accompanying notes to the required supplementary information

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| 0.11720434% | 0.12592863% | 0.12234095% | 0.12367450% | 0.12182569% | 0.12182569% |
| $25,770,603 | $29,914,616 | $40,951,204 | $34,180,015 | $29,632,225 | $35,297,711 |
| $14,146,471 | $13,035,607 | $12,814,350 | $12,903,364 | $13,404,700 | $13,448,392 |
| 182.17% | 229.48% | 319.57% | 264.89% | 221.06% | 262.47% |
| 77.30% | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

**Tecumseh Local School District**

*Required Supplementary Information*

*Schedule of School District's Contributions - Pension*

*School Employees Retirement System of Ohio*

*Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually Required Contributions | $654,452 | $666,800 | $651,848 | $622,283 |
| Contributions in Relation to the Contractually Required Contribution | (654,452) | (666,800) | (651,848) | (622,283) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered-Employee Payroll | $4,674,657 | $4,762,857 | $4,656,057 | $4,609,504 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 13.50% |

See accompanying notes to the required supplementary information

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| $551,957 | $598,703 | $565,005 | $580,992 | $565,965 | $550,472 |
| (551,957) | (598,703) | (565,005) | (580,992) | (565,965) | (550,472) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $4,088,570 | $4,276,450 | $4,035,750 | $4,408,134 | $4,083,442 | $3,977,399 |
| 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% |

**Tecumseh Local School District**

*Required Supplementary Information*

*Schedule of School District's Contributions - Pension*

*State Teachers Retirement System of Ohio*

*Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually Required Contributions | $2,068,995 | $2,165,030 | $2,073,491 | $2,080,122 |
| Contributions in Relation to the Contractually Required Contribution | (2,068,995) | (2,165,030) | (2,073,491) | (2,080,122) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered-Employee Payroll | $14,778,536 | $15,464,500 | $14,810,650 | $14,858,014 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

See accompanying notes to the required supplementary information

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| $1,980,506 | $1,824,985 | $1,794,009 | $1,806,471 | $1,742,611 | $1,748,291 |
| (1,980,506) | (1,824,985) | (1,794,009) | (1,806,471) | (1,742,611) | (1,748,291) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $14,146,471 | $13,035,607 | $12,814,350 | $12,903,364 | $13,404,700 | $13,448,392 |
| 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% |

**Tecumseh 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 Six Fiscal Years (1)*

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| School District's Proportion of the Net OPEB Liability | 0.1422801% | 0.1351537% | 0.1369579% | 0.1336855% |
| School District's Proportionate Share of the Net OPEB Liability | $2,692,768 | $2,937,332 | $3,444,203 | $3,708,797 |
| School District's Covered Employee Payroll | $4,762,857 | $4,656,057 | $4,609,504 | $4,088,570 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll | 56.54% | 63.09% | 74.72% | 90.71% |
| Plan Fiduciary Net OPEB as a Percentage Of the Total Net Pension Liability | 24.08% | 18.17% | 15.57% | 13.57% |

(1) Information Prior to 2017 is not available

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

See accompanying notes to the required supplementary information

| 2018 | 2017 |
| --- | --- |
| 0.1292629% | 0.1292629% |
| $3,469,077 | $3,684,471 |
| $4,276,450 | $4,035,750 |
| 81.12% | 91.30% |
| 12.46% | 11.49% |

**Tecumseh 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 Six Fiscal Years (1)*

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| School District's Proportion of the Net OPEB Liability (Asset) | 0.11992104% | 0.12248951% | 0.12263732% | 0.11720434% |
| School District's Proportionate Share of the Net OPEB Liability (Asset) | ($2,528,437) | ($2,152,751) | ($2,031,168) | ($1,883,354) |
| School District's Covered Employee Payroll | $15,464,500 | $14,810,650 | $14,858,014 | $14,146,471 |
| School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll | -16.35% | -14.54% | -13.67% | -13.31% |
| Plan Fiduciary Net Position as a Percentage Of the Total Net OPEB Liability (Asset) | 174.73% | 182.10% | 174.70% | 176.00% |

(1) Information Prior to 2017 is not available

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

See accompanying notes to the required supplementary information

| | 2018 | 2017 |
|---|---|---|
| | 0.129592863% | 0.129592863% |
| | $4,913,270 | $6,734,696 |
| | $13,035,607 | $12,814,350 |
| | 37.69% | 52.56% |
| | 47.10% | 37.30% |

**Tecumseh Local School District**

*Required Supplementary Information*

*Schedule of School District's Contributions - OPEB*

*School Employees Retirement System of Ohio*

*Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually Required Contributions (1) | $83,544 | $89,801 | $73,835 | $105,654 |
| Contributions in Relation to the Contractually Required Contribution | (83,544) | (89,801) | (73,835) | (105,654) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered-Employee Payroll | $4,674,657 | $4,762,857 | $4,656,057 | $4,609,504 |
| Contributions as a Percentage of Covered-Employee Payroll | 1.79% | 1.89% | 1.59% | 2.29% |

(1) Includes Surcharge

See accompanying notes to the required supplementary information

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| $90,718 | $69,955 | $66,443 | $105,686 | $77,138 | $67,885 |
| (90,718) | (69,955) | (66,443) | (105,686) | (77,138) | (67,885) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $4,088,570 | $4,276,450 | $4,035,750 | $4,408,134 | $4,083,442 | $3,977,399 |
| 2.22% | 1.64% | 1.65% | 2.40% | 1.89% | 1.71% |

**Tecumseh Local School District**

*Required Supplementary Information*

*Schedule of School District's Contributions - OPEB*

*State Teachers Retirement System of Ohio*

*Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Contractually Required Contributions | $0 | $0 | $0 | $0 |
| Contributions in Relation to the Contractually Required Contribution | - | - | - | - |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 |
| School District Covered-Employee Payroll | $14,778,536 | $15,464,500 | $14,810,650 | $14,858,014 |
| Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

See accompanying notes to the required supplementary information

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| $0 | $0 | $0 | $0 | $134,047 | $134,484 |
| - | - | - | - | (134,047) | (134,484) |
| $0 | $0 | $0 | $0 | $0 | $0 |
| $14,146,471 | $13,035,607 | $12,814,350 | $12,903,364 | $13,404,700 | $13,448,392 |
| 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% |

***Pension - SERS***

Changes in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost-of-Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost-of-Living Adjustment (COLA) of 2.5% to 2.0%.

Changes in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.

- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

**Pension - STRS**

Changes in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, STRS decreased the Cost-of-Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.

Changes in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.

**Other Postemployment Benefits (OPEB) - SERS**

Changes in benefit terms:

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

Changes in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%- 5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%- 4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.

- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

**Other Postemployment Benefits (OPEB) - STRS**

Changes in benefit terms:

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

Changes in assumptions:

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre- Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| Federal Agency/ Pass Through Agency/ Program Title | Assistance Listing Number | Pass Though Entity Identifying Number | Disbursements | Non-Cash Disbursements |
|---|---|---|---|---|
| **U.S. Department of Agriculture:** | | | | |
| *Passed through Ohio Department of Education:* | | | | |
| Nutrition Cluster: | | | | |
| School Breakfast Program | 10.553 | N/A | 193,906 | - |
| National School Lunch Program | 10.555 | N/A | 827,178 | - |
| COVID-19 National School Lunch Program | 10.555 | N/A | 138,192 | - |
| National School Lunch Program - Donated Commodities | 10.555 | N/A | - | 135,598 |
| | | | 965,370 | 135,598 |
| Total Nutrition Cluster | | | 1,159,276 | 135,598 |
| COVID-19 Pandemic EBT Administrative Costs | 10.649 | N/A | 3,063 | - |
| Total US Department of Agriculture | | | 1,162,339 | 135,598 |
| **U.S. Department of Education:** | | | | |
| *Passed through Ohio Department of Education:* | | | | |
| Title I Grants to Local Education Agencies | 84.010A | S010A210035 | 86,265 | |
| | 84.010A | S010A220035 | 692,377 | |
| | | | 778,642 | |
| Migration Education State Grant Program | 84.011A | S011A210035 | 78,609 | |
| | 84.011A | S011A220035 | 67,808 | |
| | | | 146,417 | |
| Special Education Cluster: | | | | |
| Special Education Grants to States | 84.027A | H027A210111 | 95,714 | |
| | 84.027A | H027A220111 | 517,104 | |
| COVID-19 Special Education Grants to States ARP | 84.027X | H027X220111 | 103,374 | |
| | | | 716,192 | |
| COVID-19 Special Education Preschool Grants | 84.173X | H173X220119 | 7,240 | |
| Total Special Education Cluster | | | 723,432 | |
| English Language Acquisition State Grants | 84.365A | S365A190035 | 34,283 | |
| Supporting Effective Instruction State Grants | 84.367A | S367A210034 | 17,907 | |
| | 84.367A | S367A220034 | 83,893 | |
| | | | 101,800 | |
| Student Support and Academic Enrichment Program | 84.424A | S424A220036 | 62,040 | |
| COVID-19 Education Stabilization Fund: | | | | |
| Elementary and Secondary School Emergency Relief I | 84.425D | S425D200035 | 96,452 | |
| Elementary and Secondary School Emergency Relief II | 84.425D | S425D210035 | 1,236,481 | |
| American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) | 84.425U | S425U220035 | 581,623 | |
| American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP HCY) | 84.425W | S425W220035 | 10,790 | |
| | | | 1,925,346 | |
| Total U.S. Department of Education | | | 3,771,960 | |
| **Total Expenditures of Federal Awards** | | | $ 4,934,299 | $ 135,598 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

## NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards is a summary activity of all federal award programs of the Tecumseh Local School District (School District). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

## NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards has been prepared on the cash basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement. In addition, the School District did not pass-through any federal awards to subrecipients during the year ended June 30, 2022.

The School District has not elected not to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

## NOTE 3 – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

14 East Main Street, Suite 500, Springfield, Ohio 45502
P. 937.399.2000 | F. 937.399.5433

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Tecumseh Local School District
9760 West National Road
New Carlisle, Ohio 45344

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tecumseh Local School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 10, 2023

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

14 East Main Street, Suite 500, Springfield, Ohio 45502
P. 937.399.2000 | F. 937.399.5433

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Tecumseh Local School District
9760 West National Road
New Carlisle, Ohio 45344

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

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

We have audited Tecumseh Local School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio
January 10, 2023

**Section I – Summary of Auditors' Results**

Financial Statements

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | Yes |
| • Significant deficiency(ies) identified not considered to be material weakness(es)? | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified not considered to be material weakness(es)? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of major programs:

ALN# 84.010A – Title I Grants to Local Education Agencies

*COVID-19: Education Stabilization Fund:*
ALN# 84.425D – Elementary and Secondary School Emergency Relief I
ALN# 84.425D – Elementary and Secondary School Emergency Relief II
ALN# 84.425U – Elementary and Secondary School Emergency Relief (ARP ESSER)
ALN# 84.425W – Elementary and Secondary School Emergency Relief (ARP HCY)

| | |
|---|---|
| Dollar threshold to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**Section II – Financial Statement Findings**

2022-001: Material Weakness – Financial Reporting

The District contracts with an outside independent contractor to compile its annual financial statements, however the responsibility for those statements and related note disclosures remain with the District's management. Thus, it is important to develop appropriate control procedures related to drafting financial statements and disclosures which enables errors to be prevented, or detected and corrected, on a timely basis.

As a result of audit procedures performed, certain errors were noted within the District's financial statements prepared and presented for audit. Adjustments were necessary to revise amounts initially reported within the basic financial statement for intergovernmental receivables due to application of incorrect recognition criteria, as well as reclassification of net position between categories. Various related changes, and unrelated changes, were necessary to correct portions of the Management's Discussion and Analysis and Notes to the Financial Statements.

The District should ensure adequate review of financial statements prepared by the independent contractor is performed prior to completion to ensure accuracy and adherence to the District's directives related to amounts presented within the financial statements.

*District's Response: Please see response in District's Corrective Action Plan*

**Section III – Federal Awards Findings and Questioned Costs**

None noted

# Tecumseh Local Schools

9760 West National Road
New Carlisle, Ohio 45344
937-845-3576

*Learning for All ~ Whatever it Takes!*



**Tecumseh Local School District**

Corrective Action Plan
Fiscal Year Ended **June 30, 2022**

**Finding Number:** 2022-001

**Planned Corrective Action:** The Treasurer's office will continue to discuss the development and presentation of the amounts and disclosures contained within the financial statements. In addition, we will require statements be prepared in a timeframe which will allow sufficient time to properly review the financial statement amounts and disclosures prepared by the outside independent contractor prior to submission to the Auditor of State's Office.

**Anticipated Completion Date:** Fiscal Year 2023

**Responsible Contact Person:** Denise Robinson, Treasurer
Denise.Robinson@tecumsehlocal.org
(937) 845-3576

OHIO AUDITOR OF STATE
KEITH FABER

**TECUMSEH LOCAL SCHOOL DISTRICT**

**CLARK 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 3/21/2023**