# MARGARETTA LOCAL SCHOOL DISTRICT

## ERIE COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

Julian & Grube
Serving Ohio Local Governments

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

Board of Education
Margaretta Local School District
305 South Washington Street
Castalia, Ohio 44824

We have reviewed the *Independent Auditor's Report* of the Margaretta Local School District, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2020 through June 30, 2021. 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 Margaretta Local School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 20, 2022

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**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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Julian & Grube

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**Independent Auditor's Report**

Margaretta Local School District
Erie County
305 South Washington Street
Castalia, Ohio 44824

To the Board of Education:

***Report on the Financial Statements***

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Margaretta Local School District's preparation and fair presentation of the financial statements 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 Margaretta Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

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

***Emphasis of Matter***

As described in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Margaretta Local School District. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, and schedules of net pension and other post-employment benefit assets and liabilities and pension and other post-employment benefit contributions* listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Margaretta Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 auditing standards generally accepted in the United States of America. 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 December 13, 2021, on our consideration of the Margaretta Local School 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 Margaretta Local School 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 Margaretta Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 13, 2021

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

## Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- Net position of governmental activities increased $7,418,070 which represents a 71.64% increase from the 2020 restated net position. The increase is primarily from a reduction in the net pension liability and net OPEB liability.

- General revenues accounted for $20,897,235 in revenue or 81.65% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $4,697,291 or 18.35% of total revenues of $25,594,526.

- The District had $18,176,456 in expenses related to governmental activities; only $4,697,291 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $20,897,235 were adequate to provide for these programs.

- The District's major governmental funds are the general fund and capital projects fund. The general fund had $18,133,934 in revenues and other financing sources and $18,362,995 in expenditures and other financing uses. During fiscal year 2021, the general fund's fund balance decreased $229,061 from $725,703 to $496,642.

- The capital projects fund had $2,082,027 other financing sources and $1,031,705 in expenditures. During fiscal year 2021, the capital project's fund balance increased $1,050,322 from $881,513 to $1,931,835.

## Using the Basic Financial Statements (BFS)

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The general fund and the capital projects fund are the only governmental funds reported as major.

## Reporting the District as a Whole

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

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

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

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

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

***Fund Financial Statements***

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

***Governmental Funds***

All activities are reported in governmental funds, the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB asset/lability.

## The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2021 and June 30, 2020.

**Net Position**

| | Governmental Activities 2021 | Governmental Activities 2020 |
|---|---|---|
| **Assets** | | |
| Current and other assets | $ 21,042,077 | $ 18,563,126 |
| Capital assets, net | 8,028,631 | 7,233,982 |
| Total assets | 29,070,708 | 25,797,108 |
| **Deferred Outflows of Resources** | | |
| Pensions | 3,007,421 | 3,229,551 |
| OPEB | 535,869 | 476,531 |
| Total deferred outflows of resources | 3,543,290 | 3,706,082 |
| **Liabilities** | | |
| Current liabilities | 1,912,571 | 1,759,731 |
| Long-term liabilities: | | |
| Due within one year | 530,244 | 614,559 |
| Due in more than one year: | | |
| Net pension liability | 16,649,684 | 15,952,324 |
| Net OPEB liability | 1,463,297 | 1,891,834 |
| Other amounts | 2,641,215 | 2,927,764 |
| Total liabilities | 23,197,011 | 23,146,212 |
| **Deferred Inflows of Resources** | | |
| Property taxes levied for next year | 9,265,291 | 13,717,365 |
| Pensions | 854,954 | 1,165,065 |
| OPEB | 2,233,398 | 1,829,274 |
| Total deferred inflows of resources | 12,353,643 | 16,711,704 |
| **Net Position** | | |
| Net investment in capital assets | 5,942,659 | 4,695,840 |
| Restricted | 800,755 | 639,400 |
| Unrestricted (deficit) | (9,680,070) | (15,689,966) |
| Total net position (deficit) | $ (2,936,656) | $ (10,354,726) |

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to 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 District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2021, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by $2,936,656.

Current and other assets increased $2,478,951 due to an increase in property taxes receivable. The increase is due to an increase of tax revenues based on the assessed values for the Nexus pipeline. See Note 7 for more detail.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 14 for more detail.

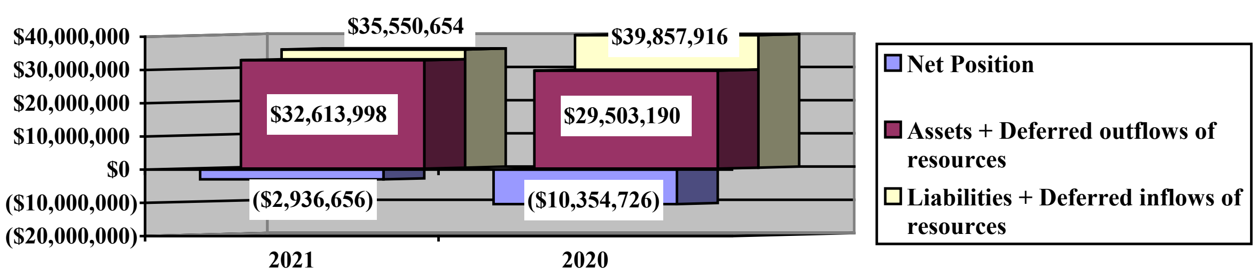
Total assets include a net OPEB asset reported by STRS. See Note 15 for more detail.

At year-end, capital assets represented 27.62% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2021, was $5,942,659. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, $800,755, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $9,680,070.

The graph below illustrates the governmental activities assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, and net position at June 30, 2021 and June 30, 2020.

**Governmental Activities**



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

**Change in Net Position**

| | Governmental Activities 2021 | Governmental Activities 2020 |
|---|---|---|
| **Revenues** | | |
| Program revenues: | | |
| Charges for services and sales | $ 2,836,727 | $ 3,215,727 |
| Operating grants and contributions | 1,826,189 | 1,463,547 |
| Capital grants | 34,375 | - |
| General revenues: | | |
| Property taxes | 15,436,226 | 7,973,846 |
| Grants and entitlements | 5,116,672 | 5,141,026 |
| Investment earnings | 805 | 746 |
| Other | 343,533 | 482,623 |
| Total revenues | 25,594,527 | 18,277,515 |
| **Expenses** | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 6,063,589 | 6,312,662 |
| Special | 2,648,943 | 2,763,721 |
| Vocational | 349,633 | 421,331 |
| Other | 1,402,717 | 1,231,570 |
| Support services: | | |
| Pupil | 942,201 | 988,657 |
| Instructional staff | 422,201 | 324,648 |
| Board of education | 580,935 | 313,835 |
| Administration | 1,258,691 | 1,146,822 |
| Fiscal | 462,093 | 478,794 |
| Operations and maintenance | 1,365,839 | 1,460,920 |
| Pupil transportation | 1,159,618 | 1,133,637 |
| Central | 162,166 | 194,447 |
| Operation of non-instructional services: | | |
| Food service operations | 594,929 | 558,218 |
| Other non-instructional services | 74,431 | 84,744 |
| Extracurricular activities | 594,879 | 632,480 |
| Interest and fiscal charges | 93,591 | 108,719 |
| Total expenses | 18,176,456 | 18,155,205 |
| Change in net position | 7,418,070 | 122,310 |
| Net position (deficit) at beginning of year | (10,354,726) | (10,477,036) |
| Net position (deficit) at end of year | $ (2,936,656) | $ (10,354,726) |

## Governmental Activities

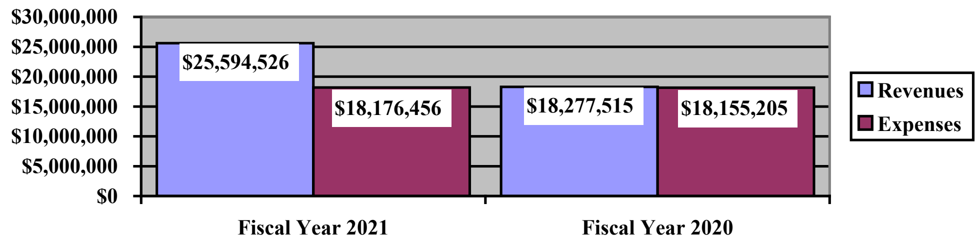
Net position of the District's governmental activities increased $7,418,070. Total governmental expenses of $18,176,456 were offset by program revenues of $4,697,291 and general revenues of $20,897,235. Program revenues supported 25.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenues account for 80.30% of total governmental revenue. This increase was the result of the District received more property tax revenue during the current fiscal year compared to the prior fiscal year because of the Nexus pipeline tax assessments and delinquent taxes related to the pipeline. The most significant decreases were in the areas of charges for services and sales.

Overall, expenses of the governmental activities increased $21,251 or 0.12%. This increase was due to an increase in wages and benefits paid out to employees.

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

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

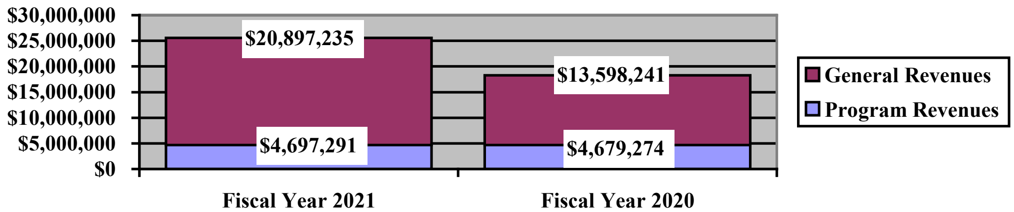
**Governmental Activities**

| | Total Cost of Services 2021 | Net Cost of Services 2021 | Total Cost of Services 2020 | Net Cost of Services 2020 |
|---|---|---|---|---|
| **Program expenses** | | | | |
| Instruction: | | | | |
| Regular | $ 6,063,589 | $ 3,955,796 | $ 6,312,662 | $ 4,292,373 |
| Special | 2,648,943 | 1,369,712 | 2,763,721 | 1,566,184 |
| Vocational | 349,633 | 289,493 | 421,331 | 376,432 |
| Other | 1,402,717 | 1,402,717 | 1,231,570 | 1,231,570 |
| Support services: | | | | |
| Pupil | 942,201 | 874,874 | 988,657 | 947,760 |
| Instructional staff | 422,201 | 394,368 | 324,648 | 315,371 |
| Board of education | 580,935 | 534,396 | 313,835 | 312,282 |
| Administration | 1,258,691 | 1,258,691 | 1,146,822 | 1,146,822 |
| Fiscal | 462,093 | 462,093 | 478,794 | 478,794 |
| Operations and maintenance | 1,365,839 | 1,137,190 | 1,460,920 | 1,068,861 |
| Pupil transportation | 1,159,618 | 1,124,287 | 1,133,637 | 1,073,190 |
| Central | 162,166 | 158,566 | 194,447 | 190,847 |
| Operation of non-instructional services: | | | | |
| Food service operations | 594,929 | 78,833 | 558,218 | 17,087 |
| Other non-instructional services | 74,431 | 33,450 | 84,744 | (11,888) |
| Extracurricular activities | 594,879 | 311,108 | 632,480 | 361,527 |
| Interest and fiscal charges | 93,591 | 93,591 | 108,719 | 108,719 |
| Total expenses | $ 18,176,456 | $ 13,479,165 | $ 18,155,205 | $ 13,475,931 |

The dependence upon tax and other general revenues for governmental activities is apparent, 67.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.16%. The District's taxpayers and grants and entitlements not restricted to specific programs, as a whole, are by far the primary support for District's students.

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

**Governmental Activities - General and Program Revenues**




**The District's Funds**

The District's governmental funds reported a combined fund balance of $3,029,600, which is more than last year's balance of $2,058,825. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and June 30, 2020.

| | Fund Balance June 30, 2021 | Fund Balance June 30, 2020 | Change |
|---|---|---|---|
| General | $ 496,642 | $ 725,703 | $ (229,061) |
| Capital Projects | 1,931,835 | 881,513 | 1,050,322 |
| Other Governmental | 601,123 | 451,609 | 149,514 |
| Total | $ 3,029,600 | $ 2,058,825 | $ 970,775 |

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### *General Fund*

The District's general fund balance decreased $229,061 in fiscal year 2021.

The table that follows assists in illustrating the financial activities and change in fund balance of the general fund.

| | 2021 Amount | 2020 Amount | Change | Percentage Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 9,644,015 | $ 7,825,073 | $ 1,818,942 | 23.25 % |
| Tuition | 1,698,210 | 1,555,284 | 142,926 | 9.19 % |
| Earnings on investments | 805 | 746 | 59 | 7.91 % |
| Rental income | - | 383,962 | (383,962) | (100.00) % |
| Contract services | - | 674,097 | (674,097) | (100.00) % |
| Other revenues | 1,195,816 | 632,048 | 563,768 | 89.20 % |
| Intergovernmental | 5,595,088 | 5,676,999 | (81,911) | (1.44) % |
| Total | $ 18,133,934 | $ 16,748,209 | $ 1,385,725 | 8.27 % |
| **Expenditures** | | | | |
| Instruction | $ 9,483,005 | $ 8,991,450 | $ 491,555 | 5.47 % |
| Support services | 5,803,638 | 5,323,955 | 479,683 | 9.01 % |
| Operation of non-instructional services | 39,117 | 77,989 | (38,872) | (49.84) % |
| Extracurricular activities | 291,332 | 296,447 | (5,115) | (1.73) % |
| Debt service | 565,750 | 568,626 | (2,876) | (0.51) % |
| Total | $ 16,182,842 | $ 15,258,467 | $ 924,375 | 6.06 % |

Total revenues of the general fund increased $1,385,725 or 8.27%. The District received more property tax revenue during the current fiscal year compared to the prior fiscal year because of the Nexus pipeline tax assessments. Rental income decreased as a result of less Townsend lease payments received during the current fiscal year. Tuition revenue increased due to a increase in tuition revenue received from other districts. Earnings on investments increased due to an increase performance on the District's investments. The decrease in intergovernmental revenue is primarily due to a decrease in revenues related to tangible personal property tax loss.

Total expenditures of the general fund increased $924,375 or 6.06%. Instruction and support service expenditures increased due to current year fluctuations in employee salaries and benefits. All other expenses are comparable to the prior year.

### *General Fund Budgeting Highlights*

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

For the general fund, original and final budgeted revenues and other financing sources were $23,860,283 and $18,884,987 respectively. Actual revenues and other financing sources for fiscal year 2021 were $18,472,102, which is $412,885 less than the final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of $17,957,117 were increased to $18,829,066 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2021 totaled $18,154,821, which is $674,245 (3.58%) lower than the final budget. The variance between the final budget and actual is primarily a result of the District budgeting for a "worst case scenario" to account for unexpected increases in the actual costs of its programs.

### *Capital Projects Fund*

The capital projects fund had $2,082,027 in other financing sources and $1,031,705 in expenditures. During fiscal year 2021, the capital project's fund balance increased $1,050,322 from $881,513 to $1,931,835.

### Capital Assets

At the end of fiscal year 2021, the District had $8,028,631 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows capital assets, net of accumulated depreciation, at June 30, 2021 and June 30, 2020:

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

| | Governmental Activities | |
|---|---|---|
| | 2021 | 2020 |
| Land | $ 174,892 | $ 174,892 |
| Construction in progress | 1,005,523 | 35,142 |
| Land improvements | 924,451 | 962,996 |
| Buildings and improvements | 5,122,272 | 5,336,879 |
| Furniture and equipment | 283,077 | 285,193 |
| Vehicles | 518,416 | 438,880 |
| Total | $ 8,028,631 | $ 7,233,982 |

Capital asset additions in fiscal year 2021 were $1,227,623 and disposals, net of accumulated depreciation, totaled $22,585. Depreciation expense for the year amounted to $410,389.

See Note 8 in the notes to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2021, the District had $1,945,000 in lease-purchase obligations and tax anticipation notes outstanding. Of this amount, $214,000 is due within one year and $1,731,000 is due in more than one year. Principal payments amounted to $558,000.

The following table summarizes the debt outstanding at June 30, 2021 and June 30, 2020.

**Outstanding Debt, at Year End**

| | Governmental Activities 2021 | Governmental Activities 2020 |
|---|---|---|
| Lease-purchase agreement | $ 1,325,000 | $ 1,818,000 |
| Tax Anticipation Note | 620,000 | 685,000 |
| Total | $ 1,945,000 | $ 2,503,000 |

See Note 10 in the notes to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District experienced a Fiscal Year (FY) where General Fund revenues exceeded expenditures in FY2021. This is only the second time since FY2016 that the District is in a positive cash flow, primarily due to the Nexus pipeline incremental tax revenue for the two years of FY20 and FY21. The District had three years of deficit spending for FY2017 through FY2019. The general fund's cash balance was increased by $327,282 during the fiscal year. The General Fund retained a cash balance of $1,673,521 at the end of the fiscal year.

On a cash basis, operating revenues increased by 11.8% when compared with fiscal year 2020 revenues. Local operating revenues increased by 17% from $11,411,789 to $13,348,543. The primary sources of the local operating revenues were local real estate taxes, open enrollment transfers from other school districts and contributions received from Townsend Community School (TCS). The significant increase of the local operating revenues are due to the start of the Nexus pipeline that bifurcates the district. The Nexus revenues are currently very volatile due to the ongoing Nexus appeal and they have currently tender paid at an approximate 47% of the original valuation level. The contributions from Townsend included payments made toward the Lease-Purchase debt services agreement. State operating revenue decreased by 1.7% from $5,631,571 to $5,534,044.

Operating expenditures were increased by 5.1% in fiscal year 2021, if we include the transfers out from the base general fund for the new facilities or capital improvement project reserve it was an increase in spending of 32.4%. Areas of operating expenditures that experienced increases were salaries by 3.5%, fringe benefits increased by 4.5% (primarily for economics). Salaries and fringe benefit costs were a net increase in FY2021 due to a few additional employees and added workdays. In addition, another area of operating expenditures that experienced an increase were supplies and materials and purchased services, by 17.2% and 3.0% respectively. The debt service payments decreased by $2,876 due to the continual reduction of principle on the district loans.

Townsend Community School (TCS) enrollment at the end of the FY2021 as of June 2021 was 618 versus FY2020 as of April 2020 was 1,461 due to the TCS/Margaretta and ODE agreement to reduce the student population down to the 6 contiguous counties surrounding TCS (Erie County). Margaretta received and/or accrued $161,076 in Lease-Purchase financing payments, $319,744 in shared services in the 2020/2021 school year. In addition, Margaretta accrued $260,908 for sponsorship fee statutory 3% of Townsend's State determined Enrollment funding. In addition to the reimbursement of shared services and rent payments, Townsend's new Student Learning Center has a state-of-the-art science labs that are being made available for the Margaretta High School students to use at no additional cost.

State foundation unrestricted grant in aid funding increased by $154,458 to a total of $4,204,791. This was a 3.8% increase in State aid. One of the most important financial portions of the state's budget is the treatment of the tangible personal property tax reimbursement funding source. In June 2015, the General Assembly adopted a new budget bill (House Bill 64) that restored the phase-out of the Tangible Personal Property Tax Loss Reimbursement that was to be totally phased out at a rate not exceed 1.75% operating revenue. The amount of reimbursement decreased by $156,601 in Fiscal Year 2021 compared to Fiscal Year 2020 or 12.3% reduction.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Diane Keegan, Treasurer, Margaretta Local School District, 305 S. Washington Street, Castalia, Ohio 44824.

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**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2021

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents | $ 4,388,399 |
| Receivables: | |
| Property taxes | 15,698,001 |
| Accounts | 4,521 |
| Intergovernmental | 33,073 |
| Prepayments | 18,412 |
| Materials and supplies inventory | 2,349 |
| Inventory held for resale | 2,691 |
| Net OPEB asset | 894,631 |
| Capital assets: | |
| Nondepreciable capital assets | 1,180,415 |
| Depreciable capital assets, net | 6,848,216 |
| Capital assets, net | 8,028,631 |
| Total assets | 29,070,708 |
| **Deferred outflows of resources:** | |
| Pension | 3,007,421 |
| OPEB | 535,869 |
| Total deferred outflows of resources | 3,543,290 |
| **Liabilities:** | |
| Accounts payable | 85,495 |
| Contracts payable | 140,972 |
| Accrued wages and benefits payable | 1,356,906 |
| Intergovernmental payable | 86,514 |
| Pension and postemployment benefits payable | 236,684 |
| Accrued interest payable | 6,000 |
| Long-term liabilities: | |
| Due within one year | 530,244 |
| Due in more than one year: | |
| Net pension liability | 16,649,684 |
| Net OPEB liability | 1,463,297 |
| Other amounts due in more than one year | 2,641,215 |
| Total liabilities | 23,197,011 |
| **Deferred inflows of resources:** | |
| Property taxes levied for the next fiscal year | 9,265,291 |
| Pension | 854,954 |
| OPEB | 2,233,398 |
| Total deferred inflows of resources | 12,353,643 |
| **Net position:** | |
| Net investment in capital assets | 5,942,659 |
| Restricted for: | |
| Capital projects | 207,576 |
| State funded programs | 14,256 |
| Federally funded programs | 4,090 |
| Extracurricular programs | 141,867 |
| Other purposes | 432,966 |
| Unrestricted (deficit) | (9,680,070) |
| Total net position (deficit) | $ (2,936,656) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| | **Expenses** | **Charges for Services and Sales** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Governmental Activities** |
| **Governmental activities:** | | | | | |
| Instruction: | | | | | |
| Regular | $ 6,063,589 | $ 1,878,624 | $ 229,169 | $ - | $ (3,955,796) |
| Special | 2,648,943 | 430,400 | 848,831 | - | (1,369,712) |
| Vocational | 349,633 | - | 60,140 | - | (289,493) |
| Other | 1,402,717 | - | - | - | (1,402,717) |
| Support services: | | | | | |
| Pupil | 942,201 | - | 67,327 | - | (874,874) |
| Instructional staff | 422,201 | - | 27,833 | - | (394,368) |
| Board of education | 580,935 | - | 46,539 | - | (534,396) |
| Administration | 1,258,691 | - | - | - | (1,258,691) |
| Fiscal | 462,093 | - | - | - | (462,093) |
| Operations and maintenance | 1,365,839 | 221,176 | 7,473 | - | (1,137,190) |
| Pupil transportation | 1,159,618 | - | 956 | 34,375 | (1,124,287) |
| Central | 162,166 | - | 3,600 | - | (158,566) |
| Operation of non-instructional services: | | | | | |
| Food service operations | 594,929 | 22,840 | 493,256 | - | (78,833) |
| Other non-instructional services | 74,431 | 143 | 40,838 | - | (33,450) |
| Extracurricular activities | 594,879 | 283,544 | 227 | - | (311,108) |
| Interest and fiscal charges | 93,591 | - | - | - | (93,591) |
| Totals | $ 18,176,456 | $ 2,836,727 | $ 1,826,189 | $ 34,375 | (13,479,165) |
| | | **General revenues:** | | | |
| | | Property taxes levied for: | | | |
| | | General purposes | | | 15,025,941 |
| | | Capital outlay | | | 410,284 |
| | | Grants and entitlements not restricted to specific programs | | | 5,116,672 |
| | | Investment earnings | | | 805 |
| | | Miscellaneous | | | 343,533 |
| | | Total general revenues | | | 20,897,235 |
| | | Change in net position | | | 7,418,070 |
| | | **Net position (deficit) at beginning of year** | | | (10,354,726) |
| | | **Net position (deficit) at end of year** | | | $ (2,936,656) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

| | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Equity in pooled cash | | | | |
| and cash equivalents | $ 1,673,521 | $ 2,081,963 | $ 632,915 | $ 4,388,399 |
| Receivables: | | | | |
| Property taxes | 15,300,420 | - | 397,581 | 15,698,001 |
| Accounts | 4,521 | - | - | 4,521 |
| Intergovernmental | 14,683 | - | 18,390 | 33,073 |
| Prepayments | 17,582 | - | 830 | 18,412 |
| Materials and supplies inventory | - | - | 2,349 | 2,349 |
| Inventory held for resale | - | - | 2,691 | 2,691 |
| Due from other funds | 8,202 | - | - | 8,202 |
| Total assets | $ 17,018,929 | $ 2,081,963 | $ 1,054,756 | $ 20,155,648 |
| **Liabilities:** | | | | |
| Accounts payable | $ 68,573 | $ 9,156 | $ 7,766 | $ 85,495 |
| Contracts payable | - | 140,972 | - | 140,972 |
| Accrued wages and benefits payable | 1,302,959 | - | 53,947 | 1,356,906 |
| Compensated absences payable | 278,634 | - | - | 278,634 |
| Intergovernmental payable | 85,959 | - | 555 | 86,514 |
| Pension and postemployment benefits payable | 231,330 | - | 5,354 | 236,684 |
| Due to other funds | - | - | 8,202 | 8,202 |
| Total liabilities | 1,967,455 | 150,128 | 75,824 | 2,193,407 |
| **Deferred inflows of resources:** | | | | |
| Property taxes levied for the next fiscal year | 9,032,493 | - | 232,798 | 9,265,291 |
| Delinquent property tax revenue not available | 5,508,420 | - | 141,311 | 5,649,731 |
| Intergovernmental revenue not available | 11,028 | - | 3,700 | 14,728 |
| Miscellaneous revenue not available | 2,891 | - | - | 2,891 |
| Total deferred inflows of resources | 14,554,832 | - | 377,809 | 14,932,641 |
| **Fund balances:** | | | | |
| Nonspendable: | | | | |
| Materials and supplies inventory | - | - | 2,349 | 2,349 |
| Prepaids | 17,582 | - | 830 | 18,412 |
| Restricted: | | | | |
| Capital projects | - | - | 66,265 | 66,265 |
| State funded programs | - | - | 14,256 | 14,256 |
| Federally funded programs | - | - | 20 | 20 |
| Extracurricular programs | - | - | 141,867 | 141,867 |
| Other purposes | - | - | 432,966 | 432,966 |
| Committed: | | | | |
| Capital projects | - | 1,931,835 | - | 1,931,835 |
| Assigned: | | | | |
| Student and staff support | 107,762 | - | - | 107,762 |
| Unassigned (deficit) | 371,298 | - | (57,430) | 313,868 |
| Total fund balances | 496,642 | 1,931,835 | 601,123 | 3,029,600 |
| Total liabilities, deferred inflows and fund balances | $ 17,018,929 | $ 2,081,963 | $ 1,054,756 | $ 20,155,648 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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

| | | |
|---|---|---|
| **Total governmental fund balances** | | $ 3,029,600 |
| *Amounts reported for governmental activities on 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. | | 8,028,631 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Property taxes receivable | $ 5,649,731 | |
| Accounts receivable | 2,891 | |
| Intergovernmental receivable | 14,728 | |
| Total | | 5,667,350 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (6,000) |
| The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows - pension | 3,007,421 | |
| Deferred inflows - pension | (854,954) | |
| Net pension liability | (16,649,684) | |
| Deferred outflows - OPEB | 535,869 | |
| Deferred inflows - OPEB | (2,233,398) | |
| Net OPEB asset | 894,631 | |
| Net OPEB liability | (1,463,297) | |
| Total | | (16,763,412) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Capital lease obligations | (1,325,000) | |
| Compensated absences | (947,825) | |
| Notes payable | (620,000) | |
| Total | | (2,892,825) |
| **Net position of governmental activities** | | $ (2,936,656) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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

| | General | Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Property taxes | $ 9,644,015 | $ - | $ 272,590 | $ 9,916,605 |
| Intergovernmental | 5,595,088 | - | 1,310,748 | 6,905,836 |
| Investment earnings | 805 | - | 156 | 961 |
| Tuition and fees | 1,698,210 | - | - | 1,698,210 |
| Extracurricular | 40,279 | - | 243,408 | 283,687 |
| Rental income | 221,081 | - | - | 221,081 |
| Charges for services | 607,923 | - | 22,935 | 630,858 |
| Contributions and donations | 11,536 | - | 35,659 | 47,195 |
| Miscellaneous | 314,997 | - | 77,247 | 392,244 |
| Total revenues | 18,133,934 | - | 1,962,743 | 20,096,677 |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,570,973 | - | 194,915 | 5,765,888 |
| Special | 2,178,009 | - | 390,852 | 2,568,861 |
| Vocational | 331,306 | - | 6,830 | 338,136 |
| Other | 1,402,717 | - | - | 1,402,717 |
| Support services: | | | | |
| Pupil | 820,203 | - | 67,644 | 887,847 |
| Instructional staff | 394,081 | - | 29,684 | 423,765 |
| Board of education | 468,207 | 60,651 | 51,399 | 580,257 |
| Administration | 1,174,021 | - | - | 1,174,021 |
| Fiscal | 461,680 | - | 2,130 | 463,810 |
| Operations and maintenance | 1,225,861 | - | 34,854 | 1,260,715 |
| Pupil transportation | 1,103,398 | - | 118,785 | 1,222,183 |
| Central | 156,187 | 673 | 1,800 | 158,660 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 574,101 | 574,101 |
| Other non-instructional services | 39,117 | - | 35,000 | 74,117 |
| Extracurricular activities | 291,332 | - | 241,648 | 532,980 |
| Facilities acquisition and construction | - | 970,381 | 70,726 | 1,041,107 |
| Debt service: | | | | |
| Principal retirement | 493,000 | - | 65,000 | 558,000 |
| Interest and fiscal charges | 72,750 | - | 22,511 | 95,261 |
| Total expenditures | 16,182,842 | 1,031,705 | 1,907,879 | 19,122,426 |
| Excess (deficiency) of revenues over (under) expenditures | 1,951,092 | (1,031,705) | 54,864 | 974,251 |
| **Other financing sources (uses):** | | | | |
| Transfers in | - | 2,082,027 | 98,126 | 2,180,153 |
| Transfers (out) | (2,180,153) | - | - | (2,180,153) |
| Total other financing sources (uses) | (2,180,153) | 2,082,027 | 98,126 | - |
| Net change in fund balances | (229,061) | 1,050,322 | 152,990 | 974,251 |
| **Fund balances at beginning of year** | 725,703 | 881,513 | 451,609 | 2,058,825 |
| **Change in reserve for inventory** | - | - | (3,476) | (3,476) |
| **Fund balances at end of year** | $ 496,642 | $ 1,931,835 | $ 601,123 | $ 3,029,600 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | | $ 974,251 |
| *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. | | |
| Capital asset additions | $ 1,227,623 | |
| Current year depreciation | (410,389) | |
| Total | | 817,234 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | (22,585) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | (3,476) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | 5,519,620 | |
| Accounts receivable | 2,891 | |
| Intergovernmental | (24,662) | |
| Total | | 5,497,849 |
| Repayment of note and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | 558,000 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| Change in accrued interest payable | 1,670 | 1,670 |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | 1,261,549 | |
| OPEB | 44,749 | |
| Total | | 1,306,298 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | (1,870,928) | |
| OPEB | 68,259 | |
| Total | | (1,802,669) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | 91,498 |
| **Change in net position of governmental activities** | | $ 7,418,070 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | |
| **Revenues:** | | | | |
| Property taxes | $ 12,691,931 | $ 10,045,436 | $ 9,674,473 | $ (370,963) |
| Intergovernmental | 7,335,395 | 5,805,834 | 5,591,433 | (214,401) |
| Investment earnings | 1,056 | 836 | 805 | (31) |
| Tuition and fees | 2,226,894 | 1,762,547 | 1,697,459 | (65,088) |
| Rental income | 331,931 | 262,718 | 253,016 | (9,702) |
| Charges for services | 859,833 | 680,542 | 655,411 | (25,131) |
| Miscellaneous | 413,243 | 327,074 | 314,996 | (12,078) |
| Total revenues | 23,860,283 | 18,884,987 | 18,187,593 | (697,394) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,710,421 | 5,592,592 | 5,576,706 | 15,886 |
| Special | 1,852,422 | 2,106,693 | 2,081,660 | 25,033 |
| Vocational | 330,137 | 333,093 | 332,848 | 245 |
| Other | 1,598,832 | 1,403,167 | 1,402,717 | 450 |
| Support services: | | | | |
| Pupil | 792,442 | 803,117 | 802,567 | 550 |
| Instructional staff | 599,596 | 426,202 | 383,051 | 43,151 |
| Board of education | 339,690 | 444,965 | 441,736 | 3,229 |
| Administration | 1,118,696 | 1,148,931 | 1,148,710 | 221 |
| Fiscal | 423,510 | 489,134 | 487,377 | 1,757 |
| Operations and maintenance | 1,260,425 | 1,245,238 | 1,198,230 | 47,008 |
| Pupil transportation | 1,012,925 | 1,116,245 | 1,102,445 | 13,800 |
| Central | 257,593 | 259,025 | 154,257 | 104,768 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 338 | 5,888 | 5,741 | 147 |
| Extracurricular activities | 95,525 | 295,901 | 290,873 | 5,028 |
| Debt service: | | | | |
| Principal | 498,519 | 498,010 | 498,000 | 10 |
| Interest and fiscal charges | 67,731 | 67,750 | 67,750 | - |
| Total expenditures | 15,958,802 | 16,235,951 | 15,974,668 | 261,283 |
| Excess of revenues over expenditures | 7,901,481 | 2,649,036 | 2,212,925 | (436,111) |
| **Other financing sources (uses):** | | | | |
| Refund of prior year's expenditures | - | - | 282,109 | 282,109 |
| Transfers (out) | (1,998,315) | (2,593,115) | (2,180,153) | 412,962 |
| Advances in | - | - | 2,400 | 2,400 |
| Total other financing sources (uses) | (1,998,315) | (2,593,115) | (1,895,644) | 697,471 |
| Net change in fund balance | 5,903,166 | 55,921 | 317,281 | 261,360 |
| **Fund balance at beginning of year** | 1,240,062 | 1,240,062 | 1,240,062 | - |
| **Prior year encumbrances appropriated** | 16,618 | 16,618 | 16,618 | - |
| **Fund balance at end of year** | $ 7,159,846 | $ 1,312,601 | $ 1,573,961 | $ 261,360 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Margaretta Local School District ("District") operates under a locally-elected five-member Board form of government and provides educational services mandated by State and/or federal agencies. Located in Erie County, the District serves the Village of Castalia and surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 elementary school and 1 high school. It employs 62 non-certified employees and 108 certified (including administrative) employees to provide services to approximately 1,002 students.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments
The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. During 2021, the District paid $28,311 for goods and services provided by BACG. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts 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. During 2021, the District paid $53,089 to NOECA. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from NOECA, 4918 Milan Road, Sandusky, Ohio 44870.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program
The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OSBA and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority
The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and persons. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

Huron-Erie School Employees Insurance Association
The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of several districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 4918 Milan Road, Sandusky, Ohio 44870.

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

### B. Fund Accounting

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

*GOVERNMENTAL FUNDS*

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

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

*Capital projects fund* - The capital projects fund is used to account for transfers in that are committed to be used for building projects of the District.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than capital projects, and (b) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition of construction of capital facilities and other capital assets.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds at June 30, 2021.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District had no fiduciary funds at June 30, 2021.

### C. Basis of Presentation and Measurement Focus

*Government-Wide Financial Statements* - The statement of net position and the statement of activities display information about the District as a whole. These statements included the financial activities of the primary government.

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

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

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

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

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

*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 District, available means expected to be received within sixty days of fiscal year end.

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

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

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 14 and 15 for deferred outflows of resources related to the District’s net pension liability and net OPEB liability/asset, respectively.

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

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

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

### E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund, function, object level for the general fund and at the fund level for all other funds.

Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

Lapsing of Appropriations:

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of control.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability.

**F. Cash and Investments**

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

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

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

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2021 amounted to $805, which includes $468 assigned from other District funds.

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

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

**G. Inventory**

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**H. Prepayments**

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

**I. Capital Assets**

General capital assets are those assets specifically related to activities reported in the governmental funds. 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.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of $5,000. The 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 land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Governmental Activities Estimated Lives |
|---|---|
| Land improvements | 5 - 25 years |
| Buildings and improvements | 10 - 50 years |
| Furniture, fixtures and equipment | 5 - 20 years |
| Vehicles | 8 years |

**J. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/due from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

**K. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

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

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

**M. Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

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

**N. Net Position**

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**O. Estimates**

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

**P. Interfund Activity**

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

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

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

**R. Extraordinary and Special Items**

Extraordinary items are significant transactions or events that are both unusual in nature and infrequent in occurrence. Special items are significant transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

**S. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

### A. Change in Accounting Principles

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

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

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

### B. Deficit Fund Balances

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

| Nonmajor funds | Deficit |
|---|---|
| Food Service | $ 54,621 |

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

## NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

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

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

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

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

**A. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits, was $4,382,977. $4,083,500 of the District's bank balance of $4,583,500 was exposed to custodial risk as discussed below, while $500,000 was covered by the FDIC.

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

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the "grace period") from the Ohio Treasurer of State to participate in the OPCS beyond June 30, 2021 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total fair value of the securities so pledged is at least equal to 71.21% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance.

**B. Investments**

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

| | | Investment Maturities |
|---|---|---|
| Investment type | Amortized Cost | 6 months or less |
| *Amortized cost:* | | |
| STAR Ohio | $ 5,422 | $ 5,422 |

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk*: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

| Investment type | Amortized Cost | % of Total |
|---|---|---|
| *Amortized cost:* | | |
| STAR Ohio | $ 5,422 | 100.00 |

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

### C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2021:

| | |
|---|---|
| Cash and investments per note | |
| Carrying amount of deposits | $ 4,382,977 |
| Investments | 5,422 |
| Total | $ 4,388,399 |
| Cash and cash equivalents per statement of net position | |
| Governmental activities | $ 4,388,399 |

## NOTE 5 - INTERFUND TRANSACTIONS

**A.** Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund financial statements:

| Tranfers from the general fund to: | Amount |
|---|---|
| Capital projects fund | $ 2,082,027 |
| Nonmajor governmental funds | 98,126 |
| Total | $ 2,180,153 |

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**B.** Due to/from other funds consisted of the following at June 30, 2021, as reported on the fund statement:

| Receivable fund | Payable fund | Amount |
|---|---|---|
| General fund | Nonmajor governmental funds | $ 8,202 |

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

## NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually.

If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Erie County and Sandusky County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available as an advance at June 30, 2021 was $759,507 in the general fund and $23,472 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2020 was $789,966 in the general fund and $23,445 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

| | 2020 Second Half Collections | | 2021 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | $ 185,194,180 | 53.64 | $ 187,267,540 | 51.39 |
| Public utility personal | 160,029,500 | 46.36 | 177,170,370 | 48.61 |
| Total | $ 345,223,680 | 100.00 | $ 364,437,910 | 100.00 |
| Tax rate per $1,000 of assessed valuation | $60.30 | | $60.21 | |

## NOTE 7 - RECEIVABLES

Receivables at June 30, 2021 consisted of property taxes, accounts receivable, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

| | |
|---|---|
| Governmental Activities: | |
| Property taxes | $ 15,698,001 |
| Accounts receivable | 4,521 |
| Intergovernmental | 33,073 |
| Total Receivable | $ 15,735,595 |

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

## NOTE 8 - CAPITAL ASSETS

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

| **Governmental activities:** | Balance 06/30/20 | Additions | Deductions | Balance 06/30/21 |
|---|---|---|---|---|
| *Capital assets, not being depreciated:* | | | | |
| Land | $ 174,892 | $ - | $ - | $ 174,892 |
| Construction in progress | 35,142 | 970,381 | - | 1,005,523 |
| Total capital assets, non being depreciated | 210,034 | 970,381 | - | 1,180,415 |
| *Capital assets, being depreciated:* | | | | |
| Land improvements | 2,166,036 | 26,445 | - | 2,192,481 |
| Building and improvements | 10,954,109 | 5,410 | - | 10,959,519 |
| Furniture and equipment | 1,055,599 | 57,556 | (23,181) | 1,089,974 |
| Vehicles | 1,566,821 | 167,831 | (56,625) | 1,678,027 |
| Total capital assets, being depreciated | 15,742,565 | 257,242 | (79,806) | 15,920,001 |
| *Less: accumulated depreciation:* | | | | |
| Land improvements | (1,203,040) | (64,990) | - | (1,268,030) |
| Building and improvements | (5,617,230) | (220,017) | - | (5,837,247) |
| Furniture and equipment | (770,406) | (42,750) | 6,259 | (806,897) |
| Vehicles | (1,127,941) | (82,632) | 50,962 | (1,159,611) |
| Total accumulated depreciation | (8,718,617) | (410,389) | 57,221 | (9,071,785) |
| Governmental activities capital assets, net | $ 7,233,982 | $ 817,234 | $ (22,585) | $ 8,028,631 |

**NOTE 8 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction: | |
| Regular | $ 176,233 |
| Special | 864 |
| Support services: | |
| Administration | 13,826 |
| Operations and maintenance | 38,933 |
| Pupil transportation | 93,871 |
| Operation of non-instructional services: | |
| Extracurricular | 80,517 |
| Food service operations | 6,145 |
| Total depreciation expense | $ 410,389 |

**NOTE 9 - LEASE-PURCHASE AGREEMENTS**

During a prior fiscal year, the District entered into a lease-purchase agreement with Columbus Regional Airport Authority to finance the construction of 4 classrooms, a gymnasium, computer lab, and a library to the Bogart Elementary School Building and improvements to the central office located in that building. The District has also entered into a lease-purchase agreement to finance building improvements at the Townsend Learning Center. These leases meet the criteria of a capital lease as defined by GAAP which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. These are direct borrowings that are collateralized by the related equipment and buildings.

Capital assets acquired by the lease-purchase agreements have been capitalized in the amount of $4,464,450. Accumulated depreciation at June 30, 2021 was $931,774 leaving a book value of $3,532,676. Lease-purchase payments have been reflected as debt service expenditures in the general fund. There was $493,000 in principal payments in fiscal year 2021.

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

| Fiscal Year Ending June 30, | Total |
|---|---|
| 2022 | $ 196,977 |
| 2023 | 195,794 |
| 2024 | 195,380 |
| 2025 | 195,691 |
| 2026 | 194,728 |
| 2027 - 2028 | 578,449 |
| Total minimum lease payments | 1,557,019 |
| Less: amount representing interest | (232,019) |
| Present value of minimum lease payments | $ 1,325,000 |

## NOTE 10 - LONG-TERM OBLIGATIONS

**A.** The District's long-term obligations during the year consist of the following.

| | Balance Outstanding 06/30/20 | Additions | Reductions | Balance Outstanding 06/30/21 | Amounts Due in One Year |
|---|---|---|---|---|---|
| Lease-purchase agreements - direct borrowing | $ 1,818,000 | $ - | $ (493,000) | $ 1,325,000 | $ 144,000 |
| 2018 Tax anticipation note | 685,000 | - | (65,000) | 620,000 | 70,000 |
| Net pension liability | 15,952,324 | 762,237 | (64,877) | 16,649,684 | - |
| Net OPEB liability | 1,891,834 | | (428,537) | 1,463,297 | - |
| Compensated absences | 1,039,323 | 257,609 | (70,473) | 1,226,459 | 316,244 |
| Total governmental activities | $ 21,386,481 | $1,019,846 | $ (1,121,887) | $ 21,284,440 | $ 530,244 |

*Lease-purchase Agreements*: See Note 9 for detail on the District's lease-purchase agreements.

*Net Pension Liability*: See Note 14 for details. The District pays obligations related to employee compensation from the fund benefitting from their service.

*Net OPEB Liability/Asset*: See Note 15 for details. The District pays obligations related to employee compensation from the fund benefitting from their service.

*Tax Anticipation Notes, Series 2018*: On May 21, 2018, the District issued tax anticipation notes for the purpose of general construction. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position.

The notes were issued in the amount of $750,000 and mature on December 1, 2028. The stated interest rate of the notes is 3.45% and interest payments are due on June 1 and December 1 of each year. Principal and interest payments are made from the permanent improvement fund (a nonmajor governmental fund).

The following is a summary of the future debt service requirements to maturity for the tax anticipation notes:

| Fiscal Year | Tax Anticipation Notes | | |
|---|---|---|---|
| Ending June 30, | Principal | Interest | Total |
| 2022 | $ 70,000 | $ 20,183 | $ 90,183 |
| 2023 | 70,000 | 17,768 | 87,768 |
| 2024 | 75,000 | 15,266 | 90,266 |
| 2025 | 75,000 | 12,679 | 87,679 |
| 2026 | 80,000 | 10,006 | 90,006 |
| 2027 | 80,000 | 7,246 | 87,246 |
| 2028 | 85,000 | 4,399 | 89,399 |
| 2029 | 85,000 | 1,466 | 86,466 |
| Total | $ 620,000 | $ 89,013 | $ 709,013 |

*Compensated Absences*: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

## NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

### B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2021, are a voted debt margin of $32,799,412 and an unvoted debt margin of $364,438.

## NOTE 11 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of property located in Castalia, Ohio. The property located in Castalia is within the District's high school footprint and includes a classroom created in an outbuilding and fitness center. The lease is between the District and the Governing Authority of the Townsend Community School. Townsend Community School made monthly rental payments of $31,935 through December 31, 2020. Payments then dropped to $200 per month, as the Community School paid off the building loan associated with the higher rental payments. Townsend utilized the land adjacent to the Margaretta High School to construct a blended learning center. The Townsend Learning Center opened in fiscal year 2016 and will have an impact on the leased areas in the short-term and long-term.

## NOTE 12 - 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-one days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for thirty-three percent of the total sick leave accumulation, up to a maximum accumulation allowed by labor contracts. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

### B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of $150,000 to the Superintendent, $75,000 to Administrators, Supervisors and Treasurer, $50,000 to certified staff members and $10,000 to $20,000 to all other classified employees.

## NOTE 13 - RISK MANAGEMENT

### A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2021 the District contracted with SORSA to provide insurance coverage in the following amounts:

| Limits of Coverage | Carrier | Coverage |
|---|---|---|
| General liability: | | |
| Per occurrence/ | SORSA Insurance | $15,000,000 |
| Aggregate | | 17,000,000 |
| Fleet: | | |
| Comprehensive | SORSA Insurance | 15,000,000 |
| Collision | | |
| Building and contents | SORSA Insurance | 42,569,642 |

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

### B. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, prescription drug and dental insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of several school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

### C. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2021, the District participated in the Ohio School Boards Association Workers' Compensation Group Retrospective Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

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 Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan 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 Plan.

**NOTE 13 - RISK MANAGEMENT - (Continued)**

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the Plan.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire after August 1, 2017 |
|---|---|---|
| Full benefits | Age 65 with 5 years of services credit: or Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was $338,576 for fiscal year 2021. Of this amount, $27,551 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

**NOTE 14 - 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's contractually required contribution to STRS was $922,973 for fiscal year 2021. Of this amount, $164,384 is reported as pension and postemployment benefits payable.

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

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.07350100% | 0.05224935% | |
| Proportion of the net pension liability current measurement date | 0.06550770% | 0.05090363% | |
| Change in proportionate share | -0.00799330% | -0.00134572% | |
| Proportionate share of the net pension liability | $ 4,332,817 | $ 12,316,867 | $ 16,649,684 |
| Pension expense | $ 186,571 | $ 1,684,357 | $ 1,870,928 |

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred outflows of resources** | | | |
| Differences between expected and actual experience | $ 8,417 | $ 27,636 | $ 36,053 |
| Net difference between projected and actual earnings on pension plan investments | 275,046 | 598,973 | 874,019 |
| Changes of assumptions | - | 661,177 | 661,177 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | - | 174,623 | 174,623 |
| Contributions subsequent to the measurement date | 338,576 | 922,973 | 1,261,549 |
| Total deferred outflows of resources | $ 622,039 | $ 2,385,382 | $ 3,007,421 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ - | $ 78,758 | $ 78,758 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 432,243 | 343,953 | 776,196 |
| Total deferred inflows of resources | $ 432,243 | $ 422,711 | $ 854,954 |

$1,261,549 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2022 | $ (316,648) | $ 458,125 | $ 141,477 |
| 2023 | (32,890) | 126,671 | 93,781 |
| 2024 | 114,644 | 244,666 | 359,310 |
| 2025 | 86,114 | 210,236 | 296,350 |
| Total | $ (148,780) | $ 1,039,698 | $ 890,918 |

***Actuarial Assumptions - SERS***

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

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

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

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

| | |
|---|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50% |
| Investment rate of return | 7.50% net of investment expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

## NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

***Discount Rate -*** The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 5,935,431 | $ 4,332,817 | $ 2,988,194 |

## NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

***Actuarial Assumptions - STRS***

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

| | July 1, 2020 |
|---|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% |

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Discount Rate -*** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -*** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 17,537,075 | $ 12,316,867 | $ 7,893,176 |

**NOTE 15 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was $44,749.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $44,749 for fiscal year 2021. Of this amount, $44,749 is reported as pension and postemployment benefits payable.

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

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

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

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

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net OPEB liability/asset prior measurement date | 0.07522830% | 0.05224935% | |
| Proportion of the net OPEB liability/asset current measurement date | 0.06732980% | 0.05090363% | |
| Change in proportionate share | -0.00789850% | -0.00134572% | |
| Proportionate share of the net OPEB liability | $ 1,463,297 | $ - | $ 1,463,297 |
| Proportionate share of the net OPEB asset | $ - | $ (894,631) | $ (894,631) |
| OPEB expense | $ (34,357) | $ (33,902) | $ (68,259) |

At June 30, 2021, the 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 | $ 19,219 | $ 57,324 | $ 76,543 |
| Net difference between projected and actual earnings on OPEB plan investments | 16,488 | 31,353 | 47,841 |
| Changes of assumptions | 249,442 | 14,767 | 264,209 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 37,571 | 64,956 | 102,527 |
| Contributions subsequent to the measurement date | 44,749 | - | 44,749 |
| Total deferred outflows of resources | $ 367,469 | $ 168,400 | $ 535,869 |

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred inflows of resources** | | | |
| Differences between expected and actual experience | $ 744,188 | $ 178,197 | $ 922,385 |
| Changes of assumptions | 36,856 | 849,750 | 886,606 |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 419,345 | 5,062 | 424,407 |
| Total deferred inflows of resources | $ 1,200,389 | $ 1,033,009 | $ 2,233,398 |

$44,749 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

| | SERS | STRS | Total |
|---|---|---|---|
| Fiscal Year Ending June 30: | | | |
| 2022 | $ (173,753) | $ (211,729) | $ (385,482) |
| 2023 | (172,560) | (190,507) | (363,067) |
| 2024 | (172,754) | (183,064) | (355,818) |
| 2025 | (177,667) | (194,008) | (371,675) |
| 2026 | (135,364) | (41,758) | (177,122) |
| Thereafter | (45,571) | (43,543) | (89,114) |
| Total | $ (877,669) | $ (864,609) | $ (1,742,278) |

***Actuarial Assumptions - SERS***

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

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

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

***Discount Rate -*** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.13% was used as of June 30, 2019. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates -*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate (7.00% decreasing to 4.75%).

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,791,039 | $ 1,463,297 | $ 1,202,742 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 1,152,235 | $ 1,463,297 | $ 1,879,266 |

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Actuarial Assumptions - STRS***

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

| | July 1, 2020 | | July 1, 2019 | |
|---|---|---|---|---|
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discount rate of return | 7.45% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| | Initial | Ultimate | Initial | Ultimate |
| Medical | | | | |
| Pre-Medicare | 5.00% | 4.00% | 5.87% | 4.00% |
| Medicare | -6.69% | 4.00% | 4.93% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 6.50% | 4.00% | 7.73% | 4.00% |
| Medicare | 11.87% | 4.00% | 9.62% | 4.00% |

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

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

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

***Assumption Changes Since the Prior Measurement Date*** - There were no changes in assumptions since the prior measurement date of June 30, 2019.

***Benefit Term Changes Since the Prior Measurement Date*** - There was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**NOTE 15 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

***Discount Rate -*** The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2020.

***Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate -*** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB asset | $ 778,387 | $ 894,631 | $ 993,259 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB asset | $ 987,137 | $ 894,631 | $ 781,944 |

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

| | General fund |
|---|---|
| Budget basis | $ 317,281 |
| Net adjustment for revenue accruals | (105,474) |
| Net adjustment for expenditure accruals | (174,562) |
| Net adjustment for other financing sources/(uses) | (284,509) |
| Funds budgeted elsewhere | 18,203 |
| GAAP basis | $ (229,061) |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

## NOTE 17 - CONTINGENCIES - (Continued)

### B. Litigation

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

## NOTE 18 - SET-ASIDES

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

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

| | Capital Improvements |
|---|---|
| Set-aside balance June 30, 2020 | $ - |
| Current year set-aside requirement | 202,346 |
| Current year qualifying expenditures | - |
| Current year offsets | (300,553) |
| Total | $ (98,207) |
| Balance carried forward to fiscal year 2022 | $ - |
| Set-aside balance June 30, 2021 | $ - |

The District issued $750,000 in tax anticipation notes for capital improvements. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was $729,279 at June 30, 2021.

## NOTE 19 - COVID-19

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

## NOTE 20 - SUBSEQUENT EVENT

For fiscal year 2022, District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the respective school. For fiscal year 2021, the District reported $394,479 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each District. The District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

# REQUIRED SUPPLEMENTARY INFORMATION

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.06550770% | 0.07350100% | 0.08458360% | 0.08072990% |
| District's proportionate share of the net pension liability | $ 4,332,817 | $ 4,397,694 | $ 4,844,259 | $ 4,823,433 |
| District's covered payroll | $ 2,039,593 | $ 2,483,341 | $ 3,096,904 | $ 2,640,457 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 212.44% | 177.09% | 156.42% | 182.67% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.55% | 70.85% | 71.36% | 69.50% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| 0.07475990% | 0.07486720% | 0.07105400% | 0.07105400% |
| $ 5,471,735 | $ 4,271,995 | $ 3,596,002 | $ 4,225,353 |
| $ 2,346,193 | $ 2,253,892 | $ 2,064,690 | $ 2,019,790 |
| 233.22% | 189.54% | 174.17% | 209.20% |
| 62.98% | 69.16% | 71.70% | 65.52% |

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| District's proportion of the net pension liability | 0.05090363% | 0.05224935% | 0.05291178% | 0.05214028% |
| District's proportionate share of the net pension liability | $ 12,316,867 | $ 11,554,630 | $ 11,634,112 | $ 12,386,035 |
| District's covered payroll | $ 6,115,071 | $ 6,101,164 | $ 6,121,464 | $ 5,806,614 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 201.42% | 189.38% | 190.05% | 213.31% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.48% | 77.40% | 77.31% | 75.30% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|
| 0.05010591% | 0.04876522% | 0.04801106% | 0.04801106% |
| $ 16,771,958 | $ 13,477,280 | $ 11,677,951 | $ 13,910,699 |
| $ 5,277,221 | $ 5,087,836 | $ 4,905,408 | $ 4,927,808 |
| 317.82% | 264.89% | 238.06% | 282.29% |
| 66.80% | 72.10% | 74.70% | 69.30% |

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 338,576 | $ 285,543 | $ 335,251 | $ 418,082 |
| Contributions in relation to the contractually required contribution | (338,576) | (285,543) | (335,251) | (418,082) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 2,418,400 | $ 2,039,593 | $ 2,483,341 | $ 3,096,904 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 13.50% | 13.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|
| | $ 369,664 | $ 328,467 | $ 297,063 | $ 286,166 | $ 279,539 | $ 270,065 |
| | (369,664) | (328,467) | (297,063) | (286,166) | (279,539) | (270,065) |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 2,640,457 | $ 2,346,193 | $ 2,253,892 | $ 2,064,690 | $ 2,019,790 | $ 2,007,918 |
| | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% | 13.45% |

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 922,973 | $ 856,110 | $ 854,163 | $ 857,005 |
| Contributions in relation to the contractually required contribution | (922,973) | (856,110) | (854,163) | (857,005) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 6,592,664 | $ 6,115,071 | $ 6,101,164 | $ 6,121,464 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 812,926 | $ 738,811 | $ 712,297 | $ 637,703 | $ 640,615 | $ 690,654 |
| (812,926) | (738,811) | (712,297) | (637,703) | (640,615) | (690,654) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 5,806,614 | $ 5,277,221 | $ 5,087,836 | $ 4,905,408 | $ 4,927,808 | $ 5,312,723 |
| 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% |

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| District's proportion of the net OPEB liability | 0.06732980% | 0.07522830% | 0.08527840% | 0.08199350% | 0.07586720% |
| District's proportionate share of the net OPEB liability | $ 1,463,297 | $ 1,891,834 | $ 2,365,853 | $ 2,200,490 | $ 2,162,496 |
| District's covered payroll | $ 2,039,593 | $ 2,483,341 | $ 3,096,904 | $ 2,640,457 | $ 2,346,193 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 71.74% | 76.18% | 76.39% | 83.34% | 92.17% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 18.17% | 15.57% | 13.57% | 12.46% | 11.49% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| District's proportion of the net OPEB liability/asset | 0.05090363% | 0.05224935% | 0.05291178% | 0.05214028% | 0.05010591% |
| District's proportionate share of the net OPEB liability/(asset) | $ (894,631) | $ (865,374) | $ (850,238) | $ 2,034,321 | $ 2,679,677 |
| District's covered payroll | $ 6,115,071 | $ 6,101,164 | $ 6,121,464 | $ 5,806,614 | $ 5,277,221 |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 14.63% | 14.18% | 13.89% | 35.03% | 50.78% |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset | 182.10% | 174.70% | 176.00% | 47.10% | 37.33% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ 44,749 | $ 42,108 | $ 57,885 | $ 59,195 |
| Contributions in relation to the contractually required contribution | (44,749) | (42,108) | (57,885) | (59,195) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 2,418,400 | $ 2,039,593 | $ 2,483,341 | $ 3,096,904 |
| Contributions as a percentage of covered payroll | 1.85% | 2.06% | 2.33% | 1.91% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ 45,018 | $ 38,845 | $ 50,092 | $ 33,089 | $ 33,351 | $ 40,112 |
| (45,018) | (38,845) | (50,092) | (33,089) | (33,351) | (40,112) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 2,640,457 | $ 2,346,193 | $ 2,253,892 | $ 2,064,690 | $ 2,019,790 | $ 2,007,918 |
| 1.70% | 1.66% | 2.22% | 1.60% | 1.65% | 2.00% |

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Contractually required contribution | $ - | $ - | $ - | $ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 6,592,664 | $ 6,115,071 | $ 6,101,164 | $ 6,121,464 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| $ - | $ - | $ - | $ 50,401 | $ 49,278 | $ 53,127 |
| - | - | - | (50,401) | (49,278) | (53,127) |
| $ - | $ - | $ - | $ - | $ - | $ - |
| $ 5,806,614 | $ 5,277,221 | $ 5,087,836 | $ 4,905,408 | $ 4,927,808 | $ 5,312,723 |
| 0.00% | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% |

## PENSION

### *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

### *STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

## OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### *SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

(Continued)

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

# SUPPLEMENTARY INFORMATION

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | ASSISTANCE LISTING NUMBER | PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION | TOTAL EXPENDITURES OF FEDERAL AWARDS |
|---|---|---|---|
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| ***Passed Through the Ohio Department of Education*** | | | |
| ***Child Nutrition Cluster:*** | | | |
| COVID-19 - School Breakfast Program | 10.553 | COVID-19, 2021 | $ 13,067 |
| School Breakfast Program | 10.553 | 2021 | 61,221 |
| **Total School Breakfast Program** | | | 74,288 |
| National School Lunch Program - Food Donation | 10.555 | 2021 | 45,712 |
| COVID-19 - National School Lunch Program | 10.555 | COVID-19, 2021 | 41,774 |
| National School Lunch Program | 10.555 | 2021 | 303,633 |
| **Total National School Lunch Program** | | | 391,119 |
| **Total U.S. Department of Agriculture and Child Nutrition Cluster** | | | 465,407 |
| **U.S. DEPARTMENT OF THE TREASURY** | | | |
| ***Passed Through the Ohio Department of Education*** | | | |
| COVID-19 - Coronavirus Relief Fund - Broadband Ohio Connectivity | 21.019 | COVID-19, 2021 | 20,514 |
| COVID-19 - Coronavirus Relief Fund - Rural and Small Town SD | 21.019 | COVID-19, 2021 | 62,043 |
| **Total U.S. Department of the Treasury and Coronavirus Relief Fund** | | | 82,557 |
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| ***Passed Through the Ohio Department of Education*** | | | |
| Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant | 84.010A | 84.010A, 2021 | 3,006 |
| Title I Grants to Local Educational Agencies | 84.010A | 84.010A, 2021 | 139,656 |
| **Total Title I Grants to Local Educational Agencies** | | | 142,662 |
| ***Special Education Cluster (IDEA):*** | | | |
| Special Education_Grants to States | 84.027 | 2020 | 28,883 |
| Special Education_Grants to States | 84.027A | 84.027A, 2021 | 240,487 |
| **Total Special Education _Grants to States** | | | 269,370 |
| Special Education_Preschool Grants | 84.173A | 84.173A, 2021 | 11,121 |
| ***Total Special Education Cluster (IDEA):*** | | | 280,491 |
| Supporting Effective Instruction State Grants | 84.367A | 84.367A, 2021 | 26,464 |
| Student Support for Acedemic Enrichment Program | 84.424A | 84.424A, 2021 | 14,362 |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER I) Fund | 84.425D | COVID-19, 84.425D, 2021 | 119,836 |
| COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund | 84.425D | COVID-19, 84.425D, 2022 | 9,087 |
| **Total Education Stabilization Fund** | | | 128,923 |
| **Total U.S. Department of Education** | | | 592,902 |
| **Total Federal Financial Assistance** | | | $ 1,140,866 |

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

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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

## NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Margaretta Local School District under programs of the federal government for the fiscal year ended June 30, 2021 and is prepared in accordance with the cash basis of accounting. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Margaretta Local School District, it is not intended to and does not present the financial position, or changes in net position of the Margaretta Local School District.

## NOTE 2 – DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Margaretta Local School District has not elected to use the 10-percent de minimis indirect cost rate.

## NOTE 3 - CHILD NUTRITION CLUSTER

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

## NOTE 4 – FOOD DONATION PROGRAM

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

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**Independent Auditor's 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***

Margaretta Local School District
Erie County
305 South Washington Street
Castalia, Ohio 44824

To the Board of Education:

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 Margaretta Local School District, Erie County, Ohio, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Margaretta Local School District's basic financial statements, and have issued our report thereon dated December 13, 2021, wherein we noted as described Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Margaretta Local School District's internal control over financial reporting (internal control) as a basis for designing 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 Margaretta Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Margaretta Local School 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 Margaretta Local School 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Margaretta Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

***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 Margaretta Local School 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 Margaretta Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 13, 2021

Julian & Grube

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**Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Margaretta Local School District
Erie County
305 South Washington Street
Castalia, Ohio 44824

To the Board of Education:

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

We have audited the Margaretta Local School District's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Margaretta Local School District's major federal program for the fiscal year ended June 30, 2021. The Margaretta Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Margaretta Local School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Margaretta Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Margaretta Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the fiscal year ended June 30, 2021.

***Report on Internal Control over Compliance***

Management of the Margaretta Local School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Margaretta Local School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Margaretta Local School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 13, 2021

**MARGARETTA LOCAL SCHOOL DISTRICT**
**ERIE COUNTY, OHIO**

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

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

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

None

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

None

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OHIO AUDITOR OF STATE
KEITH FABER

**MARGARETTA LOCAL SCHOOL DISTRICT**

**ERIE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 2/1/2022**

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