

MOHAWK LOCAL SCHOOL DISTRICT WYANDOT COUNTY, OHIO

Cash Basis Financial Statements

**For the Fiscal Year Ended
June 30, 2021**

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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Accountant's Compilation Report

To the Mohawk Local School District Board of Education
Sycamore, Ohio

Management is responsible for the accompanying basic financial statements of the Mohawk Local School District, which comprise the statements listed in the table of contents as of June 30, 2021, and for the year then ended, and the related notes to the financial statements in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America.

The management's discussion and analysis, on pages 3 to 15 was presented to supplement the basic financial statements for purposes of additional analysis. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, conclusion, nor provide any assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
August 16th, 2021

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- The total net position - cash basis of the District increased \$2,243,449 or 22.54% from fiscal year 2020's net position.
- General cash receipts accounted for \$12,722,894 or 80.43% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,095,540 or 19.57% of total governmental activities cash receipts.
- The District had \$13,574,985 in cash disbursements related to governmental activities; \$3,095,540 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$12,722,894 were adequate to provide for these programs.
- The District's major funds are the general fund, bond retirement fund, and permanent improvement fund. The general fund, the District's largest major fund, had cash receipts of \$13,761,655 in 2021. The cash disbursements and other financing uses of the general fund, totaled \$11,903,948 in 2021. The general fund's cash balance increased \$1,857,707 from a restated cash balance of \$5,735,566 in 2020 to a cash balance of \$7,593,273 in 2021.
- The bond retirement fund, a District major fund, had cash receipts of \$478,131 in 2021. Cash disbursements for 2021 totaled \$471,865. The bond retirement debt service fund cash balance increased \$6,266 from a cash balance of \$1,736,535 in 2020 to a cash balance of \$1,742,801 in 2021.
- The permanent improvement fund, a District major fund, had receipts and other financing sources of \$1,022,716 in 2021. Cash disbursements for 2021 totaled \$538,950. The permanent improvement capital project fund cash balance increased \$483,766 from a cash balance of \$1,591,140 in 2020 to a cash balance of \$2,074,906 in 2021.

Using the Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis 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. In the case of the District, there are three major governmental funds. The general fund is the largest major fund.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2021?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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 funds are the general fund, bond retirement fund, and permanent improvement fund. The analysis of the District's major governmental funds begins on page 11.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Governmental Funds

Most of 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 the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 19 - 20 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are custodial funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis on pages 22-23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the 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. The notes to the financial statements can be found on pages 25 - 53 of this report.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net position - cash basis at June 30, 2021 and June 30, 2020.

	Net Position - Cash Basis	
	Governmental Activities 2021	Governmental Activities 2020
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 12,197,230	\$ 9,953,781
<u>Net Position</u>		
Restricted	2,615,399	2,627,075
Unrestricted	9,581,831	7,326,706
Total net position	\$ 12,197,230	\$ 9,953,781

At June 30, 2021, the District's net position was \$12,197,230 which represents an increase of \$2,243,449, or 22.54%, from fiscal year 2020. Of this amount, \$2,615,399 represents resources that are subject to external restriction on how they may be used. The primary components of restricted net position include \$1,742,801 restricted for debt service, \$465,638 restricted for classroom facilities maintenance, and \$264,410 restricted for extracurricular programs. The remaining balance of unrestricted net position of \$9,581,831 may be used to meet the government's ongoing obligations to citizens and creditors.

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net position - cash basis for fiscal year 2021 and 2020.

	Change in Net Position - Cash Basis	
	Governmental Activities	Governmental Activities
	2021	2020
Receipts:		
Program receipts:		
Charges for services and sales	\$ 1,533,166	\$ 1,803,308
Operating grants and contributions	1,528,324	885,772
Capital grants and contributions	34,050	-
Total program receipts	3,095,540	2,689,080
General receipts:		
Property and other taxes	7,249,693	7,094,614
Unrestricted grants:		
Operating	5,277,090	5,163,299
Investment earnings	113,887	111,975
Other	82,224	58,838
Total general receipts	12,722,894	12,428,726
Total receipts	\$ 15,818,434	\$ 15,117,806

(Continued)

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

Change in Net Position - Cash Basis (Continued)

	Governmental Activities 2021	Governmental Activities 2020
Disbursements:		
Instruction:		
Regular	\$ 5,225,256	\$ 5,010,262
Special	1,404,836	1,361,022
Vocational	103,423	108,954
Support services:		
Pupil	1,266,490	1,168,289
Instructional staff	698,218	552,955
Board of education	80,899	70,645
Administration	819,697	780,541
Fiscal	450,165	420,938
Business	12,952	20,929
Operations and maintenance	1,267,515	1,149,425
Pupil transportation	580,660	573,147
Central	15,617	5,700
Operation of non instructional services:		
Other non-instructional services	23,628	-
Food service operations	356,714	355,708
Extracurricular	618,919	632,469
Facilities acquisition and construction	14,148	-
Debt service:		
Principal retirement	530,000	515,000
Interest and fiscal charges	105,848	116,191
Total disbursements	<u>13,574,985</u>	<u>12,842,175</u>
Change in net position	2,243,449	2,275,631
Net position at beginning of year	<u>9,953,781</u>	<u>7,678,150</u>
Net position at end of year	<u><u>\$ 12,197,230</u></u>	<u><u>\$ 9,953,781</u></u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Governmental Activities

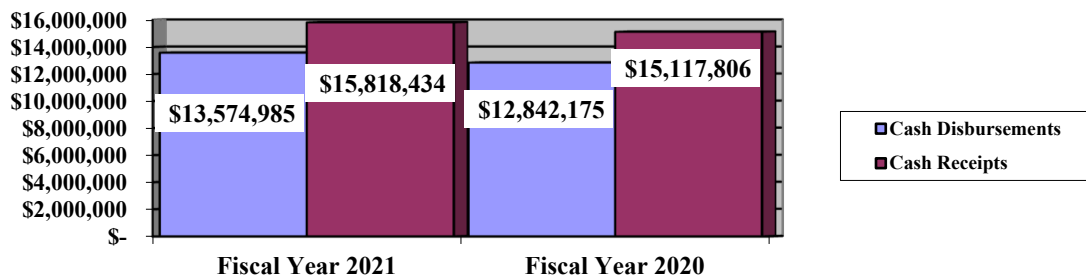
Governmental cash position increased by \$2,243,449 in 2021 from 2020. Total governmental disbursements of \$13,574,985 were offset by program receipts of \$3,095,540 and general receipts of \$12,722,894. Program receipts supported 22.80% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 79.19% of total governmental receipts. Real estate property is reappraised every six years. The District saw a significant increase public utility personal property tax receipts associated with the Rover pipeline which was completed in 2020.

The largest governmental disbursements were instructional expenditures which totaled \$6,733,515 or 49.60% of total governmental disbursements. During fiscal year 2021, the District's total disbursements remained comparable to the prior year. During fiscal year 2021, the District saw a decrease in extracurricular expenditures due to the ongoing pandemic cancelling certain events.

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

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

The statement of activities – cash basis 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 for fiscal years 2021 and 2020. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general receipts.

	Governmental Activities			
	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
Program disbursements:				
Instruction:				
Regular	\$ 5,225,256	\$ 4,065,084	\$ 5,010,262	\$ 3,934,124
Special	1,404,836	622,628	1,361,022	610,529
Vocational	103,423	71,276	108,954	76,807
Support services:				
Pupil	1,266,490	1,043,557	1,168,289	1,040,027
Instructional staff	698,218	570,442	552,955	552,955
Board of education	80,899	80,899	70,645	70,645
Administration	819,697	819,697	780,541	780,541
Fiscal	450,165	449,244	420,938	420,938
Business	12,952	9,352	20,929	17,329
Operations and maintenance	1,267,515	1,096,252	1,149,425	1,087,824
Pupil transportation	580,660	526,497	573,147	573,147
Central	15,617	15,617	5,700	5,700
Operation of non instructional services:				
Other non-instructional services	23,628	5,641	-	-
Food service operations	356,714	33,075	355,708	54,966
Extracurricular	618,919	420,188	632,469	296,372
Facilities acquisition and construction	14,148	14,148	-	-
Debt service:				
Principal retirement	530,000	530,000	515,000	515,000
Interest and fiscal charges	105,848	105,848	116,191	116,191
Total	<u>\$ 13,574,985</u>	<u>\$ 10,479,445</u>	<u>\$ 12,842,175</u>	<u>\$ 10,153,095</u>

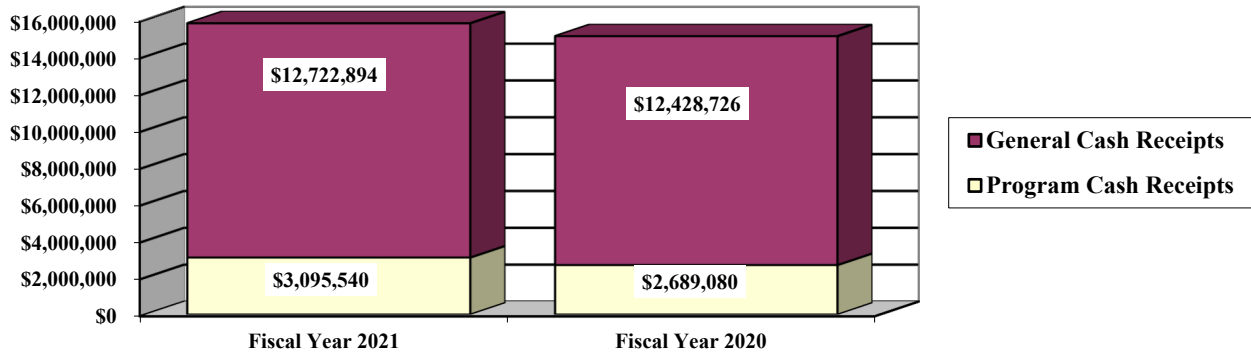
The dependence upon general cash receipts for governmental activities is apparent; with 77.20% of cash disbursements supported through taxes and other general cash receipts during 2021.

**MOHAWK LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

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

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$12,197,230 which is \$2,243,449 above last year's restated total of \$9,953,781. This increase is attributed to the District balancing its budget by closely monitoring receipts and disbursements. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2021 and June 30, 2020, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2021</u>	Fund Cash Balance <u>June 30, 2020</u>	<u>Change</u>
General	\$ 7,593,273	\$ 5,735,566	\$ 1,857,707
Bond retirement	1,742,801	1,736,535	6,266
Permanent Improvement	2,074,906	1,591,140	483,766
Nonmajor governmental funds	<u>786,250</u>	<u>890,540</u>	<u>(104,290)</u>
Total	<u>\$ 12,197,230</u>	<u>\$ 9,953,781</u>	<u>\$ 2,243,449</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The general fund, the District's largest major fund, had cash receipts of \$13,761,655 in 2021. The cash disbursements and other financing uses of the general fund, totaled \$11,903,948 in 2021. The general fund's cash balance increased \$1,857,707 or 32.39% from 2020 to 2021.

The following two tables assist in illustrating the cash receipts and disbursements of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Receipts:</u>			
Property taxes	\$ 5,145,013	\$ 4,955,767	3.82 %
Income taxes	1,600,979	1,602,883	(0.12) %
Tuition	1,267,738	1,249,950	1.42 %
Earnings on investments	51,299	91,732	(44.08) %
Other local receipts	143,717	151,505	(5.14) %
Intergovernmental	<u>5,552,909</u>	<u>5,397,887</u>	2.87 %
Total	<u>\$ 13,761,655</u>	<u>\$ 13,449,724</u>	2.32 %

The District's property taxes increased primarily due to an increase in public utility property tax receipts. Rover Pipeline constructed a 42" pipeline across northern Ohio. Approximately 13.9 miles of the pipeline runs through Eden Township which primarily falls within the District's boundaries. This additional source of public utility property tax receipts contributed significantly to the continued increase in tax receipts in fiscal year 2021. Tuition receipts increased due to increased special education and regular day school fees. Earnings on investments decreased due to decreased interest rates

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Disbursements</u>			
Instruction	\$ 6,314,316	\$ 6,179,465	2.18 %
Support services	4,200,373	4,448,729	(5.58) %
Extracurricular	<u>384,926</u>	<u>404,105</u>	(4.75) %
Total	<u>\$ 10,899,615</u>	<u>\$ 11,032,299</u>	(1.20) %

Disbursements decreased 1.20% from the prior fiscal year due to the District using Coronavirus Relief monies and ESSER monies to offset disbursements.

Bond Retirement Fund

The bond retirement debt service fund, a District major fund, had cash receipts of \$478,131 in 2021. Cash disbursements for 2021 totaled \$471,865. The bond retirement debt service fund cash balance increased \$6,266 from a cash balance of \$1,736,535 in 2020 to a cash balance of \$1,742,801 in 2021.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Permanent Improvement Fund

The permanent improvement capital project fund, a District major fund, had cash receipts and other financing sources of \$1,022,716 in 2021. Cash disbursements for 2021 totaled \$538,950. The permanent improvement capital project fund cash balance increased \$483,766 from a cash balance of \$1,591,140 in 2020 to a cash balance of \$2,074,906 in 2021.

Budgeting Highlights - General Fund

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, final budgetary basis receipts and other financing sources of \$13,531,972 were more than the original budget of \$12,882,823. Actual cash receipts and other financing sources of \$13,859,613 were more than final budget estimates by \$327,641. The final budgetary basis disbursements and other financing uses of \$13,411,667 were more than the original budget estimates of \$13,407,667. The actual budgetary basis disbursements and other financing uses of \$12,169,422 were \$1,242,245 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2021 and 2020:

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
General obligation bonds	\$ 4,454,633	\$ 4,681,788
Certificates of participation	<u>675,000</u>	<u>835,000</u>
Total long-term obligations	<u><u>\$ 5,129,633</u></u>	<u><u>\$ 5,516,788</u></u>

Refer to Note 8 to the basic financial statements for further detail.

**MOHAWK LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. It has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves. The District prides itself in the fact that it has operated within its allotted budget since the community passed a 1% income tax in 1995. This income tax issue has been successfully renewed five times since its passage and generates approximately \$1.6 million annually. The support from our local community is critical because of future state funding concerns.

The State of Ohio passed a new biennium budget in July 2021 with a change from a per pupil formula to the Fair School Funding Plan. The new funding formula utilizes a base cost analysis with 60% coming from classroom instruction, 20% building leadership and operations, 15% instructional and student support, and 5% district leadership and accountability. The new formula will consider both property values and income of district residents to determine the capacity of the school district to raise local revenue. The budget bill establishes a temporary guarantee for FY 2022 and FY 2023 to ensure school districts will not receive less funding than it did in FY 2021. The budget provides for nearly the same funding as the district received in FY 2019.

The District received a significant increase in public utility revenue due to the completion of the Rover pipeline. The full project was completed at the end of calendar year 2019. In December 2019, the Rover Company filed a tax appeal with the Ohio Department of Taxation (ODT) requesting a valuation reduction of 43%. Accordingly, the Rover Company paid their FY21 tax based upon the reduced valuation. On July 10, 2020, the Tax Commissioner upheld the original valuations and rejected the company's arguments. The Rover Company has filed an appeal with the Board of Tax Appeals (BTA) with a hearing scheduled for November 2021. While the ODT decision is good news for the District, it is anticipated an appeal will follow with lengthy court battles which could take years to resolve. The District will have several decisions to make on how best to utilize these funds. One popular option is setting aside funds to early retire the school building bonds. However, at this point the District has decided to take the "wait and see" approach before committing funds.

At the end of fiscal year 2021, after many years of cost containment, the District's finances continue to be stable. In order to ensure future fiscal stability, the district placed \$200,000 into a rainy day fund at the beginning fiscal year 2014 with the intent to place \$200,000 into this fund each year for a five-year period. In fiscal year 2020, the District set aside another \$625,000 in anticipation of economic downfalls with the COVID-19 pandemic and for potential repayment of public utility revenues should a reduction in Rover's valuation occur. The District ended the year with an unencumbered/unreserved general fund balance (inclusive of the "rainy day" fund) of \$7,271,830. The District will continue to keep a close eye on receipts versus disbursements in future years in order to stay fiscally sound.

The District's greatest concern remains planning for the resources needed to address its aging facilities. To tackle this, the District began in fiscal year 2014 to allocate 20% of its income tax proceeds to a Permanent Improvement Fund. It is the current intent to keep this allocation at 20% for a total of five years and then to reduce this to 10% thereafter. Additionally, the District transferred \$650,000 to the Permanent Improvement fund at year end. Currently, the Permanent Improvement fund balance is \$2,074,906. These allocations will enable the district to plan for capital needs without jeopardizing the health and predictability of the general fund

School districts have experienced major changes in legislation, school funding initiatives, and local economic conditions due to the COVID-19 pandemic, as well as, increased costs for health care. The roles and influence of legislative officials is also somewhat unpredictable and will also impact future school funding decisions. The District is committed to careful monitoring and planning to provide the resources required to provide the highest standards for educating the students it serves.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Rhonda Feasel, Treasurer, Mohawk Local School District, 295 State Highway 231, Sycamore, OH 44882, or phone at 419-927-2414 x4003.

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 12,197,230</u>
Net position:	
Restricted for:	
Permanent fund - expendable	\$ 230
Permanent fund - nonexpendable	10,000
Classroom facilities maintenance	465,638
Debt service	1,742,801
State funded programs	78,584
Food service operations	29,416
Student activities	264,410
Other purposes	24,320
Unrestricted	<u>9,581,831</u>
Total net position	<u>\$ 12,197,230</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

						Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services and Sales	Program Receipts Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Governmental activities:						
Instruction:						
Regular	\$ 5,225,256	\$ 1,023,711	\$ 136,461	\$ -	\$	(4,065,084)
Special	1,404,836	244,227	537,981	-		(622,628)
Vocational	103,423	-	32,147	-		(71,276)
Support services:						
Pupil	1,266,490	-	222,933	-		(1,043,557)
Instructional staff	698,218	-	127,776	-		(570,442)
Board of education	80,899	-	-	-		(80,899)
Administration	819,697	-	-	-		(819,697)
Fiscal	450,165	-	921	-		(449,244)
Business	12,952	-	3,600	-		(9,352)
Operations and maintenance	1,267,515	52,174	119,089	-		(1,096,252)
Pupil transportation	580,660	-	20,113	34,050		(526,497)
Central	15,617	-	-	-		(15,617)
Operation of non-instructional services:						
Food service operations	356,714	37,942	285,697	-		(33,075)
Other non-instructional services	23,628	-	17,987	-		(5,641)
Extracurricular activities	618,919	175,112	23,619	-		(420,188)
Facilities acquisition and construction	14,148	-	-	-		(14,148)
Debt service:						
Principal retirement	530,000	-	-	-		(530,000)
Interest and fiscal charges	105,848	-	-	-		(105,848)
Total governmental activities	\$ 13,574,985	\$ 1,533,166	\$ 1,528,324	\$ 34,050		(10,479,445)

General receipts:

Property taxes levied for:	
General purposes	5,145,013
Debt service	428,896
Special Revenue	74,805
Income taxes levied for:	
General purposes	1,600,979
Grants and entitlements not restricted to specific programs	5,277,090
Investment earnings	113,887
Miscellaneous	82,224
Total general receipts	12,722,894
Change in net position	2,243,449
Net position at beginning of year	9,953,781
Net position at end of year	\$ 12,197,230

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

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

(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 7,593,273	\$ 1,742,801	\$ 2,074,906	\$ 786,250	\$ 12,197,230
Fund balances:					
Nonspendable:					
Permanent fund	-	-	-	10,000	10,000
Unclaimed monies	7,576	-	-	-	7,576
Scholarship endowment	-	-	-	6,000	6,000
Restricted:					
Debt service	-	1,742,801	-	-	1,742,801
Classroom facilities maintenance	-	-	-	465,638	465,638
Food service operations	-	-	-	29,416	29,416
State funded programs	-	-	-	78,584	78,584
Extracurricular	-	-	-	264,410	264,410
Permanent fund	-	-	-	230	230
Other purposes	-	-	-	10,744	10,744
Committed:					
Termination benefits	164,412	-	-	-	164,412
Assigned:					
Student instruction	1,365	-	-	-	1,365
Student and staff support	148,090	-	-	-	148,090
Capital improvements	-	-	2,074,906	-	2,074,906
Unassigned (deficit)	7,271,830	-	-	(78,772)	7,193,058
Total fund balances	<u>\$ 7,593,273</u>	<u>\$ 1,742,801</u>	<u>\$ 2,074,906</u>	<u>\$ 786,250</u>	<u>\$ 12,197,230</u>

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:					
Property taxes	\$ 5,145,013	\$ 428,896	\$ -	\$ 74,805	\$ 5,648,714
Income taxes	1,600,979	-	-	-	1,600,979
Intergovernmental	5,552,909	43,211	-	1,178,470	6,774,590
Investment earnings	51,299	6,024	56,554	34	113,911
Tuition and fees	1,267,738	-	-	-	1,267,738
Extracurricular	9,319	-	-	165,993	175,312
Rental income	52,174	-	-	-	52,174
Charges for services	-	-	-	37,942	37,942
Contributions and donations	4,164	-	-	23,429	27,593
Miscellaneous	78,060	-	-	41,421	119,481
Total receipts	13,761,655	478,131	56,554	1,522,094	15,818,434
Disbursements:					
Current:					
Instruction:					
Regular	5,062,392	-	-	162,864	5,225,256
Special	1,148,501	-	-	256,335	1,404,836
Vocational	103,423	-	-	-	103,423
Support services:					
Pupil	1,040,241	-	-	226,249	1,266,490
Instructional staff	371,950	-	158,159	168,109	698,218
Board of education	80,899	-	-	-	80,899
Administration	819,697	-	-	-	819,697
Fiscal	434,210	13,759	-	2,196	450,165
Business	9,352	-	-	3,600	12,952
Operations and maintenance	881,797	-	188,901	196,817	1,267,515
Pupil transportation	546,610	-	-	34,050	580,660
Central	15,617	-	-	-	15,617
Operation of non-instructional services					
Food service operations	-	-	-	356,714	356,714
Other non-instructional services	-	-	-	23,628	23,628
Extracurricular activities	384,926	-	-	233,993	618,919
Facilities acquisition and construction	-	-	14,148	-	14,148
Debt service:					
Principal retirement	-	370,000	160,000	-	530,000
Interest and fiscal charges	-	88,106	17,742	-	105,848
Total disbursements	10,899,615	471,865	538,950	1,664,555	13,574,985
Excess of receipts over (under) disbursements	2,862,040	6,266	(482,396)	(142,461)	2,243,449
Other financing sources (uses):					
Transfers in	-	-	966,162	38,171	1,004,333
Transfers (out)	(1,004,333)	-	-	-	(1,004,333)
Total other financing sources (uses)	(1,004,333)	-	966,162	38,171	-
Net change in fund balances	1,857,707	6,266	483,766	(104,290)	2,243,449
Fund balances at beginning of year	5,735,566	1,736,535	1,591,140	890,540	9,953,781
Fund balances at end of year	<u>\$ 7,593,273</u>	<u>\$ 1,742,801</u>	<u>\$ 2,074,906</u>	<u>\$ 786,250</u>	<u>\$ 12,197,230</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
From local sources:				
Property taxes	\$ 5,079,758	\$ 4,988,456	\$ 5,145,013	\$ 156,557
Income taxes	1,412,173	1,562,070	1,600,979	38,909
Intergovernmental	4,891,739	5,397,513	5,414,375	16,862
Investment earnings	71,925	71,925	51,299	(20,626)
Tuition and fees	1,258,183	1,202,963	1,267,738	64,775
Rental income	56,024	56,024	52,174	(3,850)
Contributions and donations	1,500	1,500	175	(1,325)
Miscellaneous	41,030	136,030	155,128	19,098
Total receipts	<u>12,812,332</u>	<u>13,416,481</u>	<u>13,686,881</u>	<u>270,400</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,440,625	5,395,217	5,094,112	301,105
Special	1,275,573	1,295,365	1,165,870	129,495
Vocational	113,222	111,426	106,207	5,219
Support services:				
Pupil	1,262,645	1,263,922	1,055,491	208,431
Instructional staff	527,070	519,922	377,824	142,098
Board of education	99,496	114,421	102,676	11,745
Administration	870,094	876,608	846,904	29,704
Fiscal	477,232	471,447	439,200	32,247
Business	28,524	31,652	10,471	21,181
Operations and maintenance	1,163,208	1,143,778	961,513	182,265
Pupil transportation	683,154	656,727	559,685	97,042
Central	6,316	21,000	15,617	5,383
Operation of non-instructional services				
Extracurricular activities	440,903	458,870	382,812	76,058
Total disbursements	<u>12,388,062</u>	<u>12,360,355</u>	<u>11,118,382</u>	<u>1,241,973</u>
Excess of receipts over disbursements	<u>424,270</u>	<u>1,056,126</u>	<u>2,568,499</u>	<u>1,512,373</u>
Other financing sources (uses):				
Refund of prior year's disbursements	70,000	115,000	172,241	57,241
Transfers in	491	491	491	-
Transfers (out)	(1,019,605)	(1,051,312)	(1,051,040)	272
Total other financing sources (uses)	<u>(949,114)</u>	<u>(935,821)</u>	<u>(878,308)</u>	<u>57,513</u>
Net change in fund balance	(524,844)	120,305	1,690,191	1,569,886
Fund balance at beginning of year	5,355,272	5,355,272	5,355,272	-
Prior year encumbrances appropriated	226,367	226,367	226,367	-
Fund balance at end of year	<u>\$ 5,056,795</u>	<u>\$ 5,701,944</u>	<u>\$ 7,271,830</u>	<u>\$ 1,569,886</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 6,294</u>
Net position:	
Restricted for individuals	<u>\$ 6,294</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Custodial</u>
Additions:	
Earnings on investments	\$ 2
Contributions and donations	<u>840</u>
Total additions	<u>842</u>
Deductions:	
Scholarships awarded	<u>700</u>
Total deductions	<u>700</u>
Change in net position	142
Net position at beginning of year	<u>6,152</u>
Net position at end of year	<u><u>\$ 6,294</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred twenty-five square miles. It is located in Wyandot, Seneca, and Crawford Counties. It is staffed by 50 classified employees, 66 certified teaching personnel and 5 administrative employees who provide services to 834 students and other community members. The District currently operates one building that houses all students, staff and administrative personnel.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

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 governments 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).

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Vanguard-Sentinel Career and Technology Centers

The Vanguard-Sentinel Career and Technology Centers (the "Career Center") is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of two representatives from the Fremont City School District and one representative from the other thirteen participating school districts' elected boards. The degree of control exercised by any participating school district is limited to its representation on the Board. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Vanguard-Sentinel Career and Technology Centers, Alex Binger, who serves as Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

META Solutions

The District is a participant in META Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA), the Metropolitan Educational Council (MEC), the Metropolitan Dayton Educational Cooperative Association (MDECA), South Central Ohio Computer Association (SCOCA) and the Southeastern Ohio Voluntary Education Cooperative (SEOVEC). Meta Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. During fiscal year 2021, the District paid META Solutions \$30,853 for services. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

INSURANCE PURCHASING POOLS

Ohio Association of School Business Officials/Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Executive Director of Comp Management, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

North Central Ohio Joint Insurance Association (the "Association")

The Association is a legally separate body politic and corporate organized as a regional council of governments under Chapter 167 of the Ohio Revised Code. The Association is governed by an Assembly which consists of one representative from each participating school district (usually the superintendent or designee). The Assembly elects officers for one year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the Association. All Association revenues are generated from charges for services. The Association was formed for the purpose of providing and administering health insurance benefits for member governments.

The Association is governed by a Board of Directors consisting of a representative from each participating member. Each participating member decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Association is by written application subject to the acceptance by the Board of Directors and payment of monthly premiums.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

RELATED ORGANIZATION

Mohawk Community Library

The Mohawk Community Library (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Mohawk Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operation subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Mohawk Community Library, Michelle Schafer, Clerk/Treasurer, 200 South Sycamore Avenue, P.O. Box 9, Sycamore, Ohio 44882.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. 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. The District has no proprietary funds.

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. 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.

Bond retirement fund - The bond retirement fund is used to account for receipts and proceeds of bond issuance derived from levies for the retirement of debt and related interest.

Permanent improvement fund - The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

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 debt service or capital projects and (b) to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's custodial funds account for monies collected by the District for the Ohio High School Athletic Association (OHSAA) and programs that provide college scholarships for students after graduation for which the District has no administrative involvement.

D. Basis of Presentation

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

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

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. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds, except custodial funds. The specific timetable for fiscal year 2021 is as follows:

1. 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 existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to 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 a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2021.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of control is the fund level, the District presents budgetary statements at the fund/function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2021. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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.

During fiscal year 2021, investments were limited to non-negotiable certificates of deposit. Investments are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$51,299, which includes \$16,872 assigned from other 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.

**MOHAWK LOCAL SCHOOL DISTRICT
WYANDOT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(SEE ACCOUNTANT'S COMPILATION REPORT)**

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

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

G. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. 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 legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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.

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

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.

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The amount restricted for other purposes represents amounts restricted for college scholarships for which the District has administrative involvement and for food service operations. The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2021.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are 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.

N. Pensions/Other Postemployment Benefits (OPEB)

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

O. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Disbursements out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2021, the balance in the budget stabilization reserve was \$1,675,728. This amount is included in unassigned fund balance of the general fund and in unrestricted net position on the statement of net position.

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

B. Compliance

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

C. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Elementary and Secondary School Emergency	\$ 78,772

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.

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of 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); and,
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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.

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of 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 \$12,203,524 and the bank balance of all District deposits was \$12,239,613. Of the bank balance, \$674,015 was covered by the FDIC and \$11,565,598 was exposed to custodial credit risk discussed below.

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 rate set by the Treasurer of State. For 2021, the District's financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

The District had no investments at June 30, 2021.

C. Reconciliation of Cash to the Statement of Net Cash Position

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

<u>Cash per note</u>	
Carrying amount of deposits	<u>\$ 12,203,524</u>
<u>Cash per statement of net position</u>	
Governmental activities	\$ 12,197,230
Custodial funds	<u>6,294</u>
Total	<u>\$ 12,203,524</u>

**MOHAWK LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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NOTE 5 - INTERFUND TRANSACTIONS

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

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Permanent Improvement Fund	\$ 966,162
Nonmajor Governmental Funds	<u>38,171</u>
Total	<u>\$ 1,004,333</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 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, 2019, 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 Wyandot, Seneca and Crawford Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. 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.

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

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 139,497,310	55.69	\$ 138,172,360	57.13
Public utility personal	<u>110,989,330</u>	<u>44.31</u>	<u>103,680,260</u>	<u>42.87</u>
Total	<u>\$ 250,486,640</u>	<u>100.00</u>	<u>\$ 241,852,620</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$39.66		\$39.66	

**MOHAWK LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - INCOME TAXES

The District levies a voted tax of 1 percent for general operations on the residents and estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 8 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2021, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/20	Additions	Reductions	Balance Outstanding 06/30/21	Amounts Due in One Year
Governmental activities:					
General obligation bonds:					
Series 2004 refunding bonds:					
Capital appreciation bonds	\$ 74,994	\$ -	\$ -	\$ 74,994	\$ 39,765
Accretion on capital bonds	451,794	67,851	-	519,645	295,235
Series 2012 refunding bonds:					
Current interest bonds	4,155,000	-	(370,000)	3,785,000	45,000
2015 certificates of participation	835,000	-	(160,000)	675,000	165,000
Total long-term obligations, governmental activities	<u>\$ 5,516,788</u>	<u>\$ 67,851</u>	<u>\$ (530,000)</u>	<u>\$ 5,054,639</u>	<u>\$ 545,000</u>

Mohawk Local School Improvement Bonds (2004)

During fiscal year 2004, the District issued \$7,869,994 in general obligation bonds to provide funds for the construction of a new building to house grades pre-kindergarten through 12 (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a major governmental fund). The source of payment is derived from a current 5.99 mil bonded debt tax levy for the Construction Project. The Construction Project was completed during fiscal year 2008.

The majority of these bonds were refunded in fiscal year 2013 with the issuance of Series 2012 Refunding Bonds leaving a balance of \$255,000 at June 30, 2014. The final principal payment was made on December 1, 2014.

The capital appreciation bonds mature on December 1, 2021 and December 1, 2022 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$335,000 and \$335,000 with \$595,006 representing interest that accretes over the term of the bonds. Total accreted interest on the capital appreciation bonds at June 30, 2021 was \$519,645.

Series 2012 School Improvement Refunding Bonds

On November 27, 2012, the District issued series 2012 school improvement refunding bonds to refund the callable portion of the series 2004 general obligation bonds (principal \$5,370,000). The balance of the refunded general obligation current interest bonds at June 30, 2021, is \$3,785,000.

**MOHAWK LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
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NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$5,025,000 and \$344,995, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.00%. The current interest bonds mature on December 1, 2031 and will be retired through the bond retirement fund. The capital appreciation bonds matured on December 1, 2016, December 1, 2017 and December 1, 2018 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$360,000 with \$271,480 representing interest that accreted over the term of the bonds.

The following is a summary of the future debt requirements to maturity for the general obligation bonds:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 45,000	\$ 84,406	\$ 129,406	\$ 39,765	\$ 295,235	\$ 335,000
2023	45,000	83,506	128,506	35,229	299,771	335,000
2024	380,000	82,606	462,606	-	-	-
2025	380,000	75,006	455,006	-	-	-
2026	395,000	67,406	462,406	-	-	-
2027 - 2031	2,090,000	210,400	2,300,400	-	-	-
2032	<u>450,000</u>	<u>12,375</u>	<u>462,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,785,000</u>	<u>\$ 615,705</u>	<u>\$ 4,400,705</u>	<u>\$ 74,994</u>	<u>\$ 595,006</u>	<u>\$ 670,000</u>

2015 Certificates of Participation

On March 12, 2015, the District issued certificates of participation in the amount of \$1,600,000, to provide funds for a new HVAC system. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers cost of borrowing. This debt was issued for a ten year period, with final maturity during fiscal year 2025. The debt will be retired through the permanent improvement capital project fund.

The debt maturing on December 1, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

<u>Fiscal Year</u>			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 165,000	\$ 13,924	\$ 178,924
2023	165,000	10,047	175,047
2024	170,000	6,110	176,110
2025	<u>175,000</u>	<u>2,056</u>	<u>177,056</u>
Total	<u>\$ 675,000</u>	<u>\$ 32,137</u>	<u>\$ 707,137</u>

**MOHAWK LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

D. 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 \$19,649,543 (including available funds of \$1,742,801) and an unvoted debt margin of \$241,853.

NOTE 9 - 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 for the following insurance coverage:

<u>Description</u>	<u>Amount</u>
Insurance provided by Liberty Mutual Insurance Company	
Building and Contents - replacement cost (\$2,500 deductible)	\$44,502,569
Insurance provided by Liberty Mutual Insurance Company	
Automotive Liability	1,000,000
Uninsured motorists	1,000,000
General liability	
Per occurrence	2,000,000
Aggregate	2,000,000

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

B. North Central Ohio Joint Insurance Association

The District participates in the North Central Ohio Joint Insurance Association (the "Association"), a public entity shared risk pool consisting of six local school districts (See Note 2.A.). Each participating member pays premiums to the Association for employee medical, dental, life and vision coverage. The Association is responsible for the management and operation of the program. Upon withdrawal, the District is responsible for the payment of all Association liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal. Upon termination of the Association, all member's claims are paid without regard to the members account balance. The Association Board of Directors has the right to return or not return monies to an existing participating member subsequent to the settlement of all expenses and claims.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2021, the District participated in the OASBO/OSBA/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - 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 11 for the required OPEB disclosures.

**MOHAWK LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - 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 \$230,763 for fiscal year 2021.

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.

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NOTE 10 - 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 \$651,317 for fiscal year 2021.

Net Pension Liability

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

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NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04111650%	0.03637583%	
Proportion of the net pension liability current measurement date	<u>0.04272270%</u>	<u>0.03657690%</u>	
Change in proportionate share	<u>0.00160620%</u>	<u>0.00020107%</u>	
Proportionate share of the net pension liability	\$ 2,825,769	\$ 8,850,308	\$ 11,676,077

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.

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NOTE 10 - 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	\$ 3,870,959	\$ 2,825,769	\$ 1,948,835

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NOTE 10 - 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	<u>100.00 %</u>	

**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.

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NOTE 10 - 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	\$ 12,601,298	\$ 8,850,308	\$ 5,671,657

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 10 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

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NOTE 11 - 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 \$27,083.

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 \$27,083 for fiscal year 2021.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. 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, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

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

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.04215070%	0.03637583%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.04447160%</u>	<u>0.03657690%</u>	
Change in proportionate share	<u>0.00232090%</u>	<u>0.00020107%</u>	
Proportionate share of the net OPEB liability	\$ 966,513	\$ -	\$ 966,513
Proportionate share of the net OPEB asset	\$ -	\$ 642,829	\$ 642,829

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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.00%
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.

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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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	<u>100.00 %</u>	

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.

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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	\$ 1,182,988	\$ 966,513	\$ 794,416

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 761,056	\$ 966,513	\$ 1,241,263

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.

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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
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	<u>100.00 %</u>	

**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.

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NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	\$ 559,311	\$ 642,839	\$ 713,708
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 709,309	\$ 642,839	\$ 561,867

NOTE 12 - 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.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2021 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

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NOTE 13 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ 1,690,191
Funds budgeted elsewhere**	50,182
Adjustment for encumbrances	<u>117,334</u>
Cash basis	<u><u>\$ 1,857,707</u></u>

**The public school support fund, the termination benefits fund, and the unclaimed monies fund are legally budgeted as a separate special revenue funds; however, they are considered part of the general fund for financial reporting purposes.

NOTE 14 - STATUTORY RESERVES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2020	\$ -
Current year set-aside requirement	151,883
Current year qualifying disbursements	<u>(111,157)</u>
Current year offsets	(103,913)
Total	<u><u>\$ (63,187)</u></u>
Balance carried forward to fiscal year 2022	<u><u>\$ -</u></u>
Set-aside balance June 30, 2021	<u><u>\$ -</u></u>

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NOTE 15 - COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 117,409
Permanent improvement fund	101,438
Other nonmajor governmental	<u>51,644</u>
Total	<u>\$ 270,491</u>

NOTE 16 - 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.

During fiscal year 2021, the District received \$301,117 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund and the Elementary and Secondary School Emergency Fund.