



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

**FAIRFIELD CITY SCHOOL DISTRICT
BUTLER COUNTY**

SINGLE AUDIT

YEAR ENDED JUNE 30, 2020



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

Board of Education
Fairfield City School District
4641 Bach Lane
Fairfield, Ohio 45014

We have reviewed the *Independent Auditors' Report* of Fairfield City School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2021

This page intentionally left blank.

TABLE OF CONTENTS

Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15 - 16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17 - 18
Statement of Net Position – Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	20
Statement of Cash Flows – Proprietary Fund.....	21
Statement of Fiduciary Net Position – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	23
Notes to Basic Financial Statements	24 - 58
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System of Ohio	60
Schedule of District Contributions for Net Pension Liability	
School Employees Retirement System of Ohio	61
Schedule of the District's Proportionate Share of the Net Pension Liability	
State Teachers Retirement System of Ohio	62
Schedule of District Contributions for Net Pension Liability	
State Teachers Retirement System of Ohio	63
Schedule of the District's Proportionate Share of the Net OPEB Liability	
School Employees Retirement System of Ohio	64
Schedule of District Contributions for OPEB	
School Employees Retirement System of Ohio	65
Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability	
State Teachers Retirement System of Ohio	66
Schedule of District Contributions for OPEB	
State Teachers Retirement System of Ohio	67

TABLE OF CONTENTS (continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) - General Fund	68
Notes to the Required Supplementary Information	69 - 73
Schedule of Expenditures of Federal Awards	74 - 75
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	76 - 77
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance	78 - 79
Schedule of Findings and Questioned Costs	80 – 81
Corrective Action Plan.....	82

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Fairfield City School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield City School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fairfield City School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 21, 2020

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

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

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position of governmental activities decreased \$5,095,633 from 2019.
- General revenues accounted for \$93,508,935 in revenue or 82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20,687,429 or 18% of total revenues of \$114,196,364.
- The District had \$119,291,997 in expenses related to governmental activities; \$20,687,429 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues of \$93,508,935 were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2020?" The Government-wide Financial Statements answers this question. These statements include *all assets, liabilities, and deferred outflows/inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

These two statements report the District's *net position* and changes in the net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds begins on the balance sheet. 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.

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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds The District maintains one proprietary internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for self insurance of the District's workers' compensation benefits.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. 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.

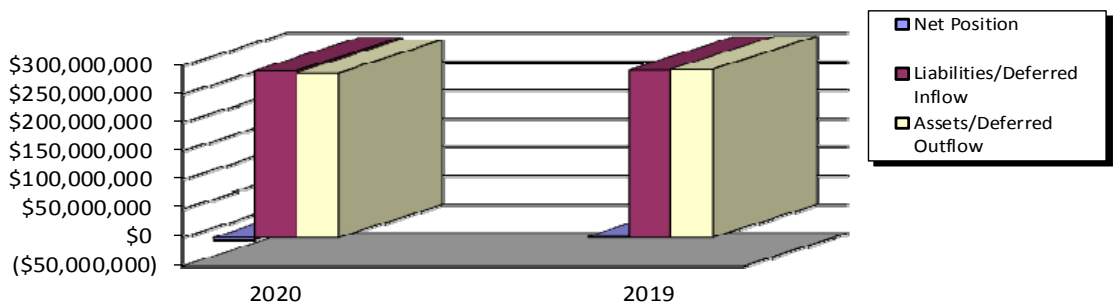
The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2020 compared to fiscal year 2019:

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 1
Net Position

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$137,194,121	\$137,290,234
Net OPEB Asset	6,213,681	5,872,310
Capital Assets	115,995,803	116,567,125
Total Assets	259,403,605	259,729,669
Deferred Outflows of Resources:		
Deferred Charge on Refunding	329,987	0
Pension	24,469,067	31,278,801
OPEB	3,406,753	2,768,962
Total Deferred Outflows of Resources	28,205,807	34,047,763
Liabilities:		
Other Liabilities	12,050,682	12,205,324
Long-Term Liabilities	206,576,470	206,998,542
Total Liabilities	218,627,152	219,203,866
Deferred Inflows of Resources:		
Property Taxes	55,538,875	55,042,562
Other Taxes	2,140,534	2,032,028
Pension	4,774,903	6,232,841
OPEB	10,461,850	10,104,404
Total Deferred Inflows of Resources	72,916,162	73,411,835
Net Position:		
Net Investment in Capital Assets	41,126,327	34,177,150
Restricted	8,921,317	13,392,927
Unrestricted	(53,981,546)	(46,408,346)
Total Net Position	(\$3,933,902)	\$1,161,731



Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$3,933,902.

At year-end, capital assets represented 45% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2020, were \$41,126,327. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$8,921,317 represents resources that are subject to external restriction on how they must be used.

Net position of governmental activities decreased \$5,095,633 from 2019 to 2020. Total assets for the District decreased slightly from 2019 to 2020 mainly due to the decrease in capital assets because of current year depreciation expense and disposals exceeding additions. Total liabilities decreased from 2019 to 2020 due to a decrease in net other post employment benefits liability along with the District continually making payments on their outstanding debt.

Table 2 shows the changes in net position for fiscal years 2020 and 2019.

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 2
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues		
Charges for Services and Sales	\$6,112,927	\$6,772,918
Operating Grants and Contributions	14,574,502	13,420,594
General Revenues		
Property Taxes	55,454,919	52,400,474
Grants and Entitlements not Restricted to Specific Programs	33,102,482	34,734,021
Revenue in Lieu of Taxes	2,131,034	2,038,428
Other	2,820,500	2,928,212
Total Revenues	<u>114,196,364</u>	<u>112,294,647</u>
Program Expenses		
Instruction	70,279,147	58,893,995
Support Services:		
Pupil and Instructional Staff	8,461,137	7,607,493
School Administrative, General		
Administration, Fiscal and Business	14,984,476	10,495,440
Operations and Maintenance	6,526,002	6,728,287
Pupil Transportation	7,703,527	6,951,465
Central	243,023	243,178
Operation of Non-Instructional Services	6,235,214	5,079,028
Extracurricular Activities	2,060,145	1,785,500
Interest and Fiscal Charges	2,241,898	3,012,675
Bond Issuance Costs	557,428	0
Total Program Expenses	<u>119,291,997</u>	<u>100,797,061</u>
Change in Net Position	(5,095,633)	11,497,586
Net Position - Beginning of Year	<u>1,161,731</u>	<u>(\$10,335,855)</u>
Net Position - End of Year	<u><u>(\$3,933,902)</u></u>	<u><u>\$1,161,731</u></u>

Of the total governmental activities revenues of \$114,196,364, \$20,687,429 is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the students. Of those general revenues, \$55,454,919 (59%) comes from property tax levies and \$33,102,482 (35%) is from state funding. This District's operations are reliant upon its property tax levy and the state's foundation program.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a

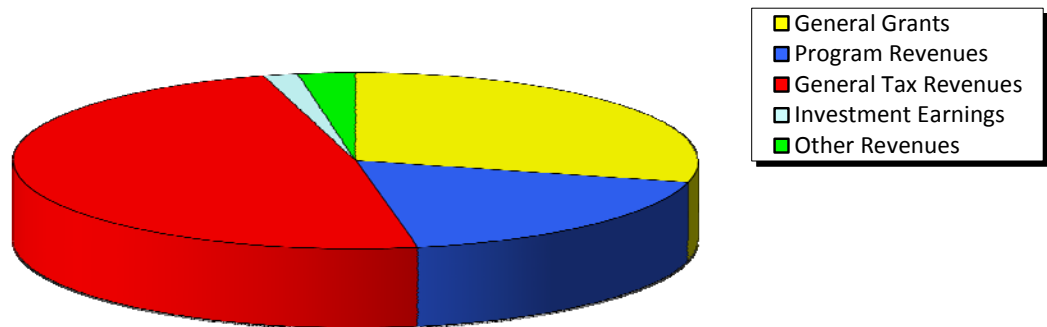
Fairfield City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not collect additional property tax revenue on the increased value of homes that is due to appreciation and must regularly return to the voters to maintain a constant level of service. Property taxes made up 49% of revenue for governmental activities for the District in fiscal year 2020.

Governmental Activities
Revenue Sources

	2020	Percentage
General Grants	\$33,102,482	29.0%
Program Revenues	20,687,429	18.1%
General Tax Revenues	55,454,919	48.6%
Investment Earnings	1,858,373	1.6%
Other Revenues	3,093,161	2.7%
Total Revenue Sources	\$114,196,364	100%



Instruction comprises 59% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other program expenses including interest and fiscal charges were 9%. Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Overall revenues increased due to an increase in operating grants and contributions revenues and property tax revenues in 2020 when compared to 2019. Total expenses increased in 2020 due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Fairfield City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$70,279,147	\$58,893,995	(\$57,900,707)	(\$46,672,822)
Support Services:				
Pupil and Instructional Staff	8,461,137	7,607,493	(7,472,646)	(6,380,647)
School Administrative, General				
Administration, Fiscal and Business	14,984,476	10,495,440	(14,113,946)	(10,198,769)
Operations and Maintenance	6,526,002	6,728,287	(6,459,516)	(6,636,328)
Pupil Transportation	7,703,527	6,951,465	(7,375,089)	(6,612,452)
Central	243,023	243,178	(175,591)	(190,619)
Operation of Non-Instructional Services	6,235,214	5,079,028	(774,687)	374,476
Extracurricular Activities	2,060,145	1,785,500	(1,533,060)	(1,273,713)
Interest and Fiscal Charges	2,241,898	3,012,675	(2,241,898)	(3,012,675)
Bond Issuance Costs	557,428	0	(557,428)	0
Total Expenses	<u>\$119,291,997</u>	<u>\$100,797,061</u>	<u>(\$98,604,568)</u>	<u>(\$80,603,549)</u>

The District’s Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$117,994,573 (85%) of the total \$138,422,273 governmental funds’ assets.

General Fund: Fund balance at June 30, 2020 was \$55,160,334, an increase in fund balance of \$475,536 from 2019. The increase in fund balance was mainly due to an increase in property tax revenues.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020 the District amended its general fund budget at times. The District’s budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the final budgeted revenue was \$94,455,110 and the original budgeted revenue was \$88,990,673. The difference was \$5,464,437, mostly due to underestimates in taxes and intergovernmental revenue. The final budgeted expenditures were \$99,306,034 and the original budgeted expenditures were \$88,873,286. The difference was \$10,432,748, mostly due to changes in instruction, school administration, and pupil transportation expenditures.

The District’s ending unobligated actual fund balance for the General fund was \$55,389,042.

Fairfield City School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Capital Assets and Long-Term Obligations

Capital Assets

At the fiscal year end, the District had \$115,995,803 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal year 2020 balances compared to fiscal year 2019:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$5,062,249	\$3,803,351
Construction in Progress	528,892	0
Buildings and Improvements	107,085,115	109,246,749
Equipment	3,319,547	3,517,025
Total Net Capital Assets	<u>\$115,995,803</u>	<u>\$116,567,125</u>

Overall, capital assets decreased due to depreciation expense and disposals exceeding additions.

See note 6 in the notes to the basic financial statements for further details on the District’s capital assets.

Long-Term Obligations

At June 30, 2020, the District had \$77,953,279 in bonds and capital leases outstanding, \$5,827,354 due within one year. Table 5 summarizes bonds and capital leases outstanding.

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2020	2019
General Obligation Bonds:		
2020 Refunding Current Interest Bonds	\$50,085,000	\$0
2020 Refunding Capital Appreciation - Principal	580,000	0
2020 Refunding Capital Appreciation - Interest	77,109	0
Premium on 2020 Refunding Bonds	7,108,636	0
2014 School Improvement	10,190,000	60,955,000
Premium on 2014 School Improvement	0	6,638,617
2012 Refunding of 1994 School Improvement Bonds	3,380,000	6,640,000
Premium on 2012 Refunding	180,524	361,046
2011 HB 264 Bond	1,206,048	1,404,970
2011 Cooling Project	624,952	728,030
Capital Leases		
2013 Bus Lease	830,576	1,094,924
HVAC Lease	3,690,434	4,567,388
Total Bonds and Capital Lease	<u>\$77,953,279</u>	<u>\$82,389,975</u>

See Notes 7 and 8 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

Public school districts in Ohio use a combination of state funds, local sources (such as property taxes) and federal funds. Since the funding for the State Funding Program must be appropriated by the General Assembly for each biennium, there can be no assurance that current funding levels will be continued. From time to time there may be an increase, a stabilization or a reduction of the level of state assistance to school districts.

House Bill 166 was signed by Governor DeWine on July 18, 2019, and required school funding and formula amounts for fiscal years 2020 and 2021 to be the same as those used in fiscal year 2019.

House Bill 305 was introduced in the State legislature on June 26, 2019, and would enact a new school funding formula, referred to as the Cupp/Patterson school funding proposal. This proposed funding formula may differ significantly from the current funding formula, when and if enacted. From time to time, legislation is proposed which would make changes in school district funding amounts based on criteria specific to only certain school districts. Whether, when and in what form House Bill 305 or any other legislation altering the school funding formula may be enacted by the Ohio General Assembly cannot be predicted.

Fairfield City School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Fairfield remains concerned about the instability of the state and local economy and the political ramifications of new funding models. Management is required to plan carefully and prudently the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

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, please contact the Treasurer/CFO at Fairfield City School District, 4641 Bach Lane, Fairfield, Ohio 45014.

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$74,729,552
Restricted Cash and Investments	258,367
Receivables (Net):	
Taxes	57,674,423
Accounts	59,345
Interest	177,944
Intergovernmental	4,220,673
Inventory	73,817
Nondepreciable Capital Assets	5,591,141
Depreciable Capital Assets, Net	110,404,662
Net OPEB Asset	6,213,681
Total Assets	259,403,605
Deferred Outflows of Resources:	
Deferred Charge on Refunding	329,987
Pension	24,469,067
OPEB	3,406,753
Total Deferred Outflows of Resources	28,205,807
Liabilities:	
Accounts Payable	1,228,185
Accrued Wages and Benefits	10,347,354
Retainage Payable	54,524
Accrued Interest Payable	372,576
Claims Payable	48,043
Long-Term Liabilities:	
Due Within One Year	6,204,701
Due In More Than One Year	
Net Pension Liability	107,573,295
Net OPEB Liability	10,606,862
Other Amounts	82,191,612
Total Liabilities	218,627,152
Deferred Inflows of Resources:	
Property Taxes	55,538,875
Other Taxes	2,140,534
Pension	4,774,903
OPEB	10,461,850
Total Deferred Inflows of Resources	72,916,162
Net Position:	
Net Investment in Capital Assets	41,126,327
Restricted for:	
Debt Service	2,586,469
Capital Projects	1,851,337
Capital Maintenance	2,587,409
Auxiliary Services	95,700
State Grants	296,166
Title VI-B	150,144
Title I	191,819
Federal Grants	363,489
Food Service	626,759
Other Purposes	172,025
Unrestricted	(53,981,546)
Total Net Position	(\$3,933,902)

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$47,811,310	\$2,967,694	\$278,859	(\$44,564,757)
Special	17,891,829	778,969	7,525,229	(9,587,631)
Other	4,576,008	35,147	792,542	(3,748,319)
Support Services:				
Pupil	5,683,592	0	272,225	(5,411,367)
Instructional Staff	2,777,545	0	716,266	(2,061,279)
General Administration	12,273	0	0	(12,273)
School Administration	11,492,040	0	812,408	(10,679,632)
Fiscal	3,149,585	0	58,122	(3,091,463)
Business	330,578	0	0	(330,578)
Operations and Maintenance	6,526,002	66,430	56	(6,459,516)
Pupil Transportation	7,703,527	0	328,438	(7,375,089)
Central	243,023	0	67,432	(175,591)
Operation of Non-Instructional Services	6,235,214	1,737,602	3,722,925	(774,687)
Extracurricular Activities	2,060,145	527,085	0	(1,533,060)
Interest and Fiscal Charges	2,241,898	0	0	(2,241,898)
Bond Issuance Costs	557,428	0	0	(557,428)
Total Governmental Activities	\$119,291,997	\$6,112,927	\$14,574,502	(98,604,568)

General Revenues:

Property Taxes Levied for:

General Purposes	49,653,094
Special Revenue Purposes	701,656
Debt Service Purposes	5,100,169
Grants and Entitlements, Not Restricted	33,102,482
Revenue in Lieu of Taxes	2,131,034
Unrestricted Contributions	45,145
Investment Earnings	1,858,373
Other Revenues	916,982

Total General Revenues 93,508,935

Change in Net Position (5,095,633)

Net Position - Beginning of Year 1,161,731

Net Position - End of Year (\$3,933,902)

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$62,316,655	\$12,063,187	\$74,379,842
Restricted Cash and Investments	203,843	54,524	258,367
Receivables (Net):			
Taxes	51,521,194	6,153,229	57,674,423
Accounts	58,900	445	59,345
Interest	175,585	2,359	177,944
Intergovernmental	2,140,534	2,080,139	4,220,673
Interfund	1,577,862	0	1,577,862
Inventory	0	73,817	73,817
Total Assets	117,994,573	20,427,700	138,422,273
Liabilities:			
Accounts Payable	904,997	321,983	1,226,980
Accrued Wages and Benefits	9,517,556	829,798	10,347,354
Compensated Absences	100,077	0	100,077
Retainage Payable	0	54,524	54,524
Interfund Payable	0	1,577,862	1,577,862
Total Liabilities	10,522,630	2,784,167	13,306,797
Deferred Inflows of Resources:			
Property Taxes	50,108,784	5,959,410	56,068,194
Grants	0	1,079,807	1,079,807
Other Taxes	2,140,534	0	2,140,534
Investment Earnings	62,291	1,338	63,629
Total Deferred Inflows of Resources	52,311,609	7,040,555	59,352,164
Fund Balances:			
Restricted	0	11,540,360	11,540,360
Assigned	6,244,890	0	6,244,890
Unassigned	48,915,444	(937,382)	47,978,062
Total Fund Balances	55,160,334	10,602,978	65,763,312
Total Liabilities, Deferred Inflows and Fund Balances	\$117,994,573	\$20,427,700	\$138,422,273

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balance		\$65,763,312
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		115,995,803
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	529,319	
Interest	63,629	
Intergovernmental	<u>1,079,807</u>	
		1,672,755
An internal service fund is used by management to charge back costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
Internal Service Net Position		300,462
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(372,576)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences	(10,245,981)	
Workers Compensation Retro Claim Loss	<u>(96,976)</u>	
		(10,342,957)
Deferred bond loss associated with long-term liabilities are not reported in the funds.		
		329,987
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	24,469,067	
Deferred inflows of resources related to pensions	(4,774,903)	
Deferred outflows of resources related to OPEB	3,406,753	
Deferred inflows of resources related to OPEB	<u>(10,461,850)</u>	
		12,639,067
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	6,213,681	
Net Pension Liability	(107,573,295)	
Net OPEB Liability	(10,606,862)	
Other Amounts	<u>(77,953,279)</u>	
		<u>(189,919,755)</u>
Net Position of Governmental Activities		<u><u>(\$3,933,902)</u></u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$49,437,506	\$5,773,843	\$55,211,349
Tuition and Fees	3,762,097	0	3,762,097
Investment Earnings	1,885,743	3,344	1,889,087
Intergovernmental	38,135,815	10,138,766	48,274,581
Extracurricular Activities	223,274	323,518	546,792
Charges for Services	420,381	1,317,227	1,737,608
Revenue in Lieu of Taxes	2,131,034	0	2,131,034
Other Revenues	571,456	457,102	1,028,558
Total Revenues	96,567,306	18,013,800	114,581,106
Expenditures:			
Current:			
Instruction:			
Regular	42,266,131	371,807	42,637,938
Special	12,980,386	3,459,512	16,439,898
Other	4,572,480	0	4,572,480
Support Services:			
Pupil	4,754,271	293,026	5,047,297
Instructional Staff	1,990,882	730,987	2,721,869
General Administration	11,641	0	11,641
School Administration	9,839,948	634,841	10,474,789
Fiscal	1,547,262	1,489,978	3,037,240
Business	293,748	0	293,748
Operations and Maintenance	5,889,616	1,200	5,890,816
Pupil Transportation	6,359,342	15,007	6,374,349
Central	163,557	64,154	227,711
Operation of Non-Instructional Services	513,895	5,378,872	5,892,767
Extracurricular Activities	1,542,697	346,419	1,889,116
Capital Outlay	1,563,021	196,972	1,759,993
Debt Service:			
Principal Retirement	1,141,302	3,662,000	4,803,302
Interest and Fiscal Charges	107,146	2,809,943	2,917,089
Bond Issuance Costs	0	557,428	557,428
Total Expenditures	95,537,325	20,012,146	115,549,471
Excess of Revenues Over (Under) Expenditures	1,029,981	(1,998,346)	(968,365)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	3,350	0	3,350
Issuance of Refunded Bonds	0	50,665,000	50,665,000
Payments to Bond Escrow Account	0	(57,378,272)	(57,378,272)
Premium on Bonds Sold	0	7,270,700	7,270,700
Transfers In	0	557,795	557,795
Transfers (Out)	(557,795)	0	(557,795)
Total Other Financing Sources (Uses)	(554,445)	1,115,223	560,778
Net Change in Fund Balance	475,536	(883,123)	(407,587)
Fund Balance - Beginning of Year	54,684,798	11,486,101	66,170,899
Fund Balance - End of Year	\$55,160,334	\$10,602,978	\$65,763,312

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balance - Total Governmental Funds		(5407,587)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	4,315,314	
Depreciation Expense	<u>(4,883,137)</u>	(567,823)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.		
		(3,499)
Governmental funds report district pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employer contributions are reported as pension and OPEB expense.		
Pension Contributions	8,715,806	
Pension Expense	(17,903,048)	
OPEB Contributions	202,344	
OPEB Expense	<u>1,282,047</u>	(7,702,851)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	243,570	
Interest	(30,714)	
Intergovernmental	<u>(597,598)</u>	(384,742)
In the statement of activities, certain proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these proceeds are recognized as financing sources and uses.		
Premium on Bonds Issued	(7,270,700)	
Deferred Amount on Refunding	329,987	
Refunding Bonds	(50,665,000)	
Bonds Refunded	<u>57,048,285</u>	(557,428)
Repayment of bond and lease principal is an expenditure governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		4,803,302
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		
		154,382
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(1,222,793)	
Workers Compensation Retro Claim Loss	157,433	
Amortization of Bond Premium	597,918	
Bond Accretion	<u>(77,109)</u>	(544,551)
The internal service fund used by management to charge back costs to individual funds is not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
Change in Net Position - Internal Service Funds		<u>115,164</u>
Change in Net Position of Governmental Activities		<u><u>(\$5,095,633)</u></u>
See accompanying notes to the basic financial statements.		

Fairfield City School District, Ohio
Statement of Net Position
Proprietary Fund
June 30, 2020

	<u>Governmental Activities- Internal Service Fund</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Investments	<u>\$349,710</u>
Total Assets	<u>349,710</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	1,205
Claims Payable	<u>48,043</u>
Total Liabilities	<u>49,248</u>
Net Position:	
Unrestricted	<u>300,462</u>
Total Net Position	<u><u>\$300,462</u></u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities- Internal Service Fund</u>
Operating Revenues:	
Charges for Services	<u>\$300,000</u>
Total Operating Revenues	<u>300,000</u>
Operating Expenses:	
Other	1,205
Claims Expense	<u>183,631</u>
Total Operating Expenses	<u>184,836</u>
Change in Net Position	115,164
Net Position - Beginning of Year	<u>185,298</u>
Net Position - End of Year	<u><u>\$300,462</u></u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	<u>Governmental Activities- Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$300,000
Cash Payments for Claims	<u>(208,429)</u>
Net Cash From Operating Activities	<u>91,571</u>
Net Decrease in Cash and Cash Equivalents	91,571
Cash and Cash Equivalents - Beginning of Year	<u>258,139</u>
Cash and Cash Equivalents - End of Year	<u><u>349,710</u></u>
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating Income	115,164
Changes in Assets & Liabilities:	
Increase in Payables	1,205
Decrease in Claims Payables	<u>(24,798)</u>
Net Cash From Operating Activities	<u><u>\$91,571</u></u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$6,075	\$331,483
Receivables (Net):		
Accounts	0	10
Interest	10	0
Total Assets	<u>6,085</u>	<u>\$331,493</u>
Liabilities:		
Accounts Payable	0	30,249
Other Liabilities	0	301,244
Total Liabilities	<u>0</u>	<u>\$331,493</u>
Net Position:		
Held in Trust	<u>6,085</u>	
Total Net Position	<u>\$6,085</u>	

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
Additions:	
Donations	\$375
Investment Earnings	6
Total Additions	<u>381</u>
Deductions:	
Other	<u>135</u>
Total Deductions	<u>135</u>
Change in Net Position	246
Net Position - Beginning of Year	<u>5,839</u>
Net Position - End of Year	<u><u>\$6,085</u></u>

See accompanying notes to the basic financial statements.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Description of the District

The Fairfield City School District (the "District") operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by approximately 462 non-certificated personnel and approximately 653 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District is the 18th largest in the State of Ohio (among 613 Districts) in terms of enrollment (ADM) and the 3rd largest in Butler County. It currently operates 6 elementary schools (serving grades Preschool-5), 2 middle school (serving grades 6-8), 1 freshman school (serving grade 9), alternative education school (serving grades 9-12), and 1 comprehensive high school (serving grades 10-12). The District services an area of 38 square miles.

Reporting Entity

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards and agencies that are not legally separate from 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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. The District has no component units.

Note 2 - Summary of Significant Accounting Policies

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

Measurement Focus

Government-wide Financial Statements

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The government-wide statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred outflows/inflows associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in government-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust is reported using the economic resources measurement focus.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund of the District accounts for a self-insurance program which provides workers' compensation benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for 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. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds. The agency fund (student activities) is used to account for assets and liabilities generated by student managed activities. The fund accounts for sales and other revenue generating activities by student activity programs, which have students involved in the management of the program. The agency fund (unclaimed monies) is used to account for funds that belong to others as a result of outstanding checks over one year old. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and other taxes.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources related to deferred charge on refunding, pension and OPEB are reported on the governmental-wide statement of net position. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes (which include tax incremental financing 'TIF'), investment earnings, OPEB, and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Other taxes (TIF) have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as operating grants.

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2020 credited to the General Fund amounted to \$1,885,743 and \$3,344 credited to Other Governmental Funds.

For purposes of the statement of cash flows, the internal service portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the internal service funds without prior notice or penalty.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

Inventory consists of donated food.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition cost as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 40 years
Equipment	5 - 10 years

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not Eligible	Not Eligible	10-25 days for each Service year depending on length of service.
Maximum Accumulation Vested	Not Applicable Not Applicable	Not Applicable Not Applicable	25 days As Earned
Termination Entitlement	Not Applicable	Not Applicable	Paid upon Termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation Vested	330 days according to bargaining agreements As Earned	360 days As Earned	330 days according to bargaining agreements As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Pensions/Other Postemployment Benefits (OPEB)

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$8,921,317 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Position.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education. Formal action by the Board of Education is needed to commit or rescind resources.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Estimates

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

Restricted Assets

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a budget stabilization reserve, while restricted assets in the capital projects fund is for retainage payable.

Note 3 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies held by the District can be deposited or invested in the following securities:

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Deposits

Custodial credit risk for deposits 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. As of June 30, 2020, \$8,130,902 of the District's bank balance of \$8,630,902 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2020, the District had the following investments:

	Fair Value	Fair Value Hierarchy	Weighted Average Maturity (Years)
Federal National Mortgage Association	\$6,499,964	Level 2	3.31
Federal Home Loan Mortgage	11,281,199	Level 2	2.28
Federal Farm Credit Bank	10,108,551	Level 2	2.94
Commercial Paper	10,155,975	Level 2	0.44
Negotiable CD's	20,025,521	Level 2	1.66
U.S. Treasury Notes	3,108,634	Level 1	0.92
Money Market Funds	6,022,147	N/A	0.00
	<u>\$67,201,991</u>		
Portfolio Weighted Average Maturity			1.75

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 of the fair value hierarchy are valued using pricing sources, as provided by the investment managers. Level 3 inputs are significant unobservable inputs. The above table identifies the District's recurring fair value measurements as of June 30, 2020.

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal National Mortgage Association, Federal Farm

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Credit Bank, and Federal Home Loan Mortgage were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The District's investments in Commercial Paper was rated A-1+ by Standard and Poor's ratings and P-1 by Moody's Investors Service. Money Market Funds, U.S Treasury Notes, and Negotiable CD's are not rated.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 9% of the District's investments in Money Market Funds, 10% in Federal National Mortgage Association, 17% in Federal Home Loan Mortgage, 15% in Federal Farm Credit Bank, 30% in Negotiable CDs, 4% in U.S. Treasury Notes, and 15% in Commercial Paper.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's securities are registered in the name of the District.

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. The District receives property taxes from Butler County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available for advance can vary based on the date the tax bills are sent.

On a full-accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Accrued property taxes receivable represent delinquent taxes outstanding, real property, and public utility taxes which became measurable at June 30, 2020. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2020 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The assessed value, by property classification, upon which taxes collected in 2020 were based as follows:

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	<u>Amount</u>
Public Utility	\$64,903,100
Real Estate	<u>1,437,785,070</u>
Total	<u><u>\$1,502,688,170</u></u>

Note 5 – Receivables

Receivables at June 30, 2020, consisted of taxes, accounts (rent and student fees), intergovernmental, interfund, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	<u>Amounts</u>
Intergovernmental	\$2,140,534
Other Governmental Funds:	
School Security	3,012
Title VI B Pre-School	887,115
Title III	170,648
Title I	526,342
Miscellaneous Federal	311,598
Pre-School Disabilities	15,236
Title II-A	126,434
Title I School Improvement	32,500
High Schools that Work	<u>7,254</u>
Total	<u><u>\$4,220,673</u></u>

Note 6 - Capital Assets

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

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$3,803,351	\$1,258,898	\$0	\$5,062,249
Construction in Progress	0	528,892	0	528,892
Capital Assets, being depreciated:				
Buildings and Improvements	157,561,218	1,453,862	0	159,015,080
Equipment	24,783,494	1,073,662	987,977	24,869,179
Totals at Historical Cost	<u>186,148,063</u>	<u>4,315,314</u>	<u>987,977</u>	<u>189,475,400</u>
Less Accumulated Depreciation:				
Buildings and Improvements	48,314,469	3,615,496	0	51,929,965
Equipment	21,266,469	1,267,641	984,478	21,549,632
Total Accumulated Depreciation	<u>69,580,938</u>	<u>4,883,137</u>	<u>984,478</u>	<u>73,479,597</u>
Governmental Activities Capital Assets, Net	<u>\$116,567,125</u>	<u>(\$567,823)</u>	<u>\$3,499</u>	<u>\$115,995,803</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,263,136
Special	18,894
Support Services:	
Pupil	42,415
Instructional Staff	81,972
School Administration	90,852
Fiscal	898
Business	3,204
Operations and Maintenance	896,372
Pupil Transportation	1,299,109
Operation of Non-Instructional Services	116,233
Extracurricular Activities	70,052
Total Depreciation Expense	<u>\$4,883,137</u>

Note 7 - Long-Term Liabilities

The change in the District's long-term obligations during the year consist of the following:

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
Bonds:						
2020 Refunding						
Current Interest Bonds	2.923-3.476%	\$0	\$50,085,000	\$0	\$50,085,000	\$880,000
Capital Appreciation Bonds	27.26-27.70%	0	580,000	0	580,000	0
Interest		0	77,109	0	77,109	0
Premium		0	7,270,700	162,064	7,108,636	0
2014 School Improvement						
Principal	2.0-5.0%	60,955,000	0	50,765,000	10,190,000	100,000
Premium		6,638,617	0	6,638,617	0	0
2012 Refunding of 1994 School						
Improvement Bonds	1.5-5.0%	6,640,000	0	3,260,000	3,380,000	3,380,000
Premium on 2012 Refunding		361,046	0	180,522	180,524	0
Bonds from Direct Borrowing:						
2011 HB 264 Bond	5.3800%	1,404,970	0	198,922	1,206,048	198,922
2011 Cooling Project	0.9000%	728,030	0	103,078	624,952	103,078
Subtotal Bonds		76,727,663	58,012,809	61,308,203	73,432,269	4,662,000
Capital Leases		5,662,312	0	1,141,302	4,521,010	1,165,354
Compensated Absences		9,146,772	1,472,588	273,302	10,346,058	328,859
Retro Claim Loss Premium		254,409	0	157,433	96,976	48,488
Subtotal Bonds and Other Amounts		91,791,156	59,485,397	62,880,240	88,396,313	6,204,701
Net Pension Liability:						
STRS		80,352,904	2,613,242	0	82,966,146	0
SERS		23,384,945	1,222,204	0	24,607,149	0
Subtotal Net Pension Liability		103,737,849	3,835,446	0	107,573,295	0
Net OPEB Liability:						
STRS		0	0	0	0 (a)	0
SERS		11,469,537	0	862,675	10,606,862	0
Subtotal Net OPEB Liability		11,469,537	0	862,675	10,606,862	0
Total Governmental Activities		\$206,998,542	\$63,320,843	\$63,742,915	\$206,576,470	\$6,204,701

(a) OPEB for STRS has a Net OPEB asset in the amount of \$6,213,681 as of June 30, 2020.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid (usually general and special revenue funds). Capital lease obligations will be paid from the general fund. The retro claim loss premium liability accounts for prior workers compensation programs unpaid claims, which are based on the estimated costs of settling the claims. The retro claim loss premium will be paid from the general fund.

Debt Refunding

On October 17, 2019 the District issued \$50,665,000 in bonds with an interest rate between 2.923% and 3.476% which was used to partially refund \$50,665,000 of the outstanding 2014 School Improvement Bonds with an interest rate between 2.00% and 5.00%. The net proceeds of \$57,378,272 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issues. As a result, \$50,665,000 of the 2014 School Improvement Bonds are considered to be defeased and the related liability for those bonds have been removed from the Statement of Net Position.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The District refunded the 2014 School Improvement Bonds to reduce its total debt service payments by \$6,641,023 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,491,489.

The District’s outstanding bonds from direct borrowings and direct placements related to governmental activities of \$1,831,000 contain the following provision that for the payment of the Bonds and the interest thereon, the full faith, credit, and revenue of the Board of Education are hereby irrevocably pledged, and for the purpose of providing the necessary funds to pay the interest on the Bonds promptly when and as the same falls due, and also to provide a fund sufficient to discharge the Bonds at maturity or upon mandatory sinking fund redemption, there shall be and is hereby levied on all the taxable property in this School District within applicable limitations, in addition to all other taxes, a direct tax annually during the period the Bonds are to run in an amount sufficient to provide funds to pay interest upon the Bonds as and when the same falls due and also to provide a fund for the discharge of the principal of the Bonds at maturity or upon mandatory sinking fund redemption, which tax shall not be less than the interest and sinking fund tax required by Article XII, Section 11 of the Constitution of Ohio.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

The following is a summary of the District’s future annual debt service requirements for general obligations:

Fiscal Year Ending June 30	General Obligation Bonds			Capital Appreciation Bonds			Direct Placement Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$4,360,000	\$4,632,408	\$8,992,408	\$0	\$0	\$0	\$302,000	\$90,384	\$392,384
2022	1,875,000	4,509,189	6,384,189	0	0	0	303,000	74,109	377,109
2023	1,925,000	4,458,577	6,383,577	0	0	0	305,000	57,754	362,754
2024	1,975,000	4,388,490	6,363,490	0	0	0	306,000	41,319	347,319
2025	2,105,000	4,298,127	6,403,127	0	0	0	307,000	24,829	331,829
2026-2030	9,500,000	15,258,602	24,758,602	205,000	2,425,000	2,630,000	308,000	8,285	316,285
2031-2035	5,695,000	6,865,681	12,560,681	375,000	7,655,000	8,030,000	0	0	0
2036-2040	16,240,000	4,878,346	21,118,346	0	0	0	0	0	0
2041-2045	19,980,000	1,788,923	21,768,923	0	0	0	0	0	0
Total	<u>\$63,655,000</u>	<u>\$51,078,343</u>	<u>\$114,733,343</u>	<u>\$580,000</u>	<u>\$10,080,000</u>	<u>\$10,660,000</u>	<u>\$1,831,000</u>	<u>\$296,680</u>	<u>\$2,127,680</u>

Note 8 - Capital Leases

The District in prior years has entered into a capital lease for buses and a HVAC system.

The leases for the buses and the HVAC system meet the criteria of capital lease, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund for the HVAC system and buses.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of fiscal year end.

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fiscal Year Ending June 30	Payments
2021	\$1,255,104
2022	1,255,105
2023	1,255,103
2024	965,244
Total Minimum Lease Payments	<u>\$4,730,556</u>
Amount Representing Interest	<u>(209,546)</u>
Present Value of Minimum Lease Payments	<u><u>\$4,521,010</u></u>

Capital assets acquired under capital leases are as follows:

Vehicles	\$2,559,300
HVAC	6,270,794

Note 9 - 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 employer'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 employer's obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the employer 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.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

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

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

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

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The contractually required contribution to SERS was \$2,013,974 for fiscal year 2020. Of this amount \$259,846 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Funding Policy

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

The contractually required contribution to STRS was \$6,701,832 for fiscal year 2020. Of this amount \$1,207,072 is reported as accrued wages and benefits.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$24,607,149	\$82,966,146	\$107,573,295
Proportion of the Net Pension Liability:			
Current Measurement Date	0.41127240%	0.37516799%	
Prior Measurement Date	<u>0.40831480%</u>	<u>0.36544388%</u>	
Change in Proportionate Share	0.00295760%	0.00972411%	
Pension Expense	\$4,463,078	\$13,439,970	\$17,903,048

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

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$623,983	\$675,483	\$1,299,466
Changes of assumptions	0	9,745,975	9,745,975
Changes in employer proportionate share of net pension liability	469,547	4,238,273	4,707,820
Contributions subsequent to the measurement date	2,013,974	6,701,832	8,715,806
Total Deferred Outflows of Resources	<u>\$3,107,504</u>	<u>\$21,361,563</u>	<u>\$24,469,067</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$359,144	\$359,144
Net difference between projected and actual earnings on pension plan investments	315,863	4,054,936	4,370,799
Changes in employer proportionate share of net pension liability	44,960	0	44,960
Total Deferred Inflows of Resources	<u>\$360,823</u>	<u>\$4,414,080</u>	<u>\$4,774,903</u>

\$8,715,806 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$1,087,882	\$6,696,226	\$7,784,108
2022	(513,288)	2,187,430	1,674,142
2023	(21,019)	499,540	478,521
2024	179,132	862,455	1,041,587
Total	<u>\$732,707</u>	<u>\$10,245,651</u>	<u>\$10,978,358</u>

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.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Discount Rate

The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$34,483,413	\$24,607,149	\$16,324,666

Actuarial Assumptions - STRS

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

Inflation	2.50%
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
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%

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

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

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

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10 Year annualized 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 pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Proportionate share of the net pension liability	\$121,245,780	\$82,966,146	\$50,560,476

Note 10 - Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

The employer 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.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the employer's surcharge obligation was \$202,344.

The surcharge, added to any allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$202,344 for fiscal year 2020. Of this amount \$202,344 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

Funding Policy

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability (asset) was based on the employer'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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$10,606,862	\$0	\$10,606,862
Proportionate Share of the Net OPEB (Asset)	0	(6,213,681)	(6,213,681)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.42177930%	0.37516799%	
Prior Measurement Date	<u>0.41342540%</u>	<u>0.36544388%</u>	
Change in Proportionate Share	0.00835390%	0.00972411%	
OPEB Expense	\$489,036	(\$1,771,083)	(\$1,282,047)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$155,700	\$563,318	\$719,018
Changes of assumptions	774,710	130,610	905,320
Net difference between projected and actual earnings on OPEB plan investments	25,460	0	25,460
Changes in employer proportionate share of net OPEB liability	866,335	688,276	1,554,611
Contributions subsequent to the measurement date	<u>202,344</u>	<u>0</u>	<u>202,344</u>
Total Deferred Outflows of Resources	<u>\$2,024,549</u>	<u>\$1,382,204</u>	<u>\$3,406,753</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$2,330,256	\$316,130	\$2,646,386
Changes of assumptions	594,377	6,812,581	7,406,958
Net difference between projected and actual earnings on OPEB plan investments	0	390,260	390,260
Changes in employer proportionate share of net OPEB liability	<u>18,246</u>	<u>0</u>	<u>18,246</u>
Total Deferred Inflows of Resources	<u>\$2,942,879</u>	<u>\$7,518,971</u>	<u>\$10,461,850</u>

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

\$202,344 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$440,238)	(\$1,351,957)	(\$1,792,195)
2022	(126,210)	(1,351,957)	(1,478,167)
2023	(118,737)	(1,195,545)	(1,314,282)
2024	(119,952)	(1,140,677)	(1,260,629)
2025	(197,740)	(1,123,832)	(1,321,572)
Thereafter	(117,797)	27,201	(90,596)
Total	<u>(\$1,120,674)</u>	<u>(\$6,136,767)</u>	<u>(\$7,257,441)</u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential 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, 2019, are presented below:

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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	3.13%
Prior Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.22%
Prior Measurement Date	3.70%
Medical Trend Assumption:	
Medicare	5.25% to 4.75%
Pre-Medicare	7.00% to 4.75%

Mortality rates among active members were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Equity	22.50%	4.75%
International Equity	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	<u>10.00%</u>	3.00%
Total	<u><u>100.00%</u></u>	

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). 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.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Proportionate share of the net OPEB liability	\$12,874,719	\$10,606,862	\$8,803,651
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Proportionate share of the net OPEB liability	\$8,498,245	\$10,606,862	\$13,404,486

Assumption and Benefit Changes since the Prior Measurement Date

Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Actuarial Assumptions - STRS

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

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%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% ultimate

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected 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	<u>1.00%</u>	2.25%
Total	<u>100.00%</u>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10 Year annualized 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.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the 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, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$5,302,140)	(\$6,213,681)	(\$6,980,075)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$7,046,030)	(\$6,213,681)	(\$5,194,257)

Assumption and Benefit Changes since the Prior Measurement Date

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

There were changes in assumptions, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

Note 11 - Contingent Liabilities

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2020.

Litigation

The District is party to legal proceedings. The probability of loss or the amount is not currently estimable. District management estimates that all other potential claims, not covered by insurance of the District, resulting from all other litigation would not materially affect the financial statements of the District.

Note 12 - Risk Management

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 the fiscal year, the District contracted with Liberty Mutual for property and general liability insurance and boiler and machinery insurance.

General liability is protected by Liberty Mutual with \$1,000,000 each occurrence, \$2,000,000 aggregate limit. Vehicles are covered by Liberty Mutual with a \$500 deductible. Public officials' bond insurance is provided by Marsh & McLennan Agency. The Treasurer is covered by a bond in the amount of \$100,000. The District has elected to provide employee medical and dental benefits through Butler Health Plan. The employees share the cost of the monthly premium for the coverage with the Board.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Beginning in January 2011, the District began to self-insure its workers' compensation costs. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The District accounts for the activities of this program in an internal service fund in accordance with GASB Statement No. 10. A summary of the changes in self-insurance workers' compensation claims liability is as follows:

	<u>2020</u>	<u>2019</u>
Claims Liability at Beginning of Year	\$72,841	\$66,590
Claims Incurred	183,631	117,202
Claims Paid	<u>(208,429)</u>	<u>(110,951)</u>
Claims Liability at End of Year	<u>\$48,043</u>	<u>\$72,841</u>

Note 13 - Jointly Governed Organizations

Southwest Ohio Computer Association

Southwest Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is a council of governments that is governed by a Board of Directors consisting of the

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

superintendents and treasurers of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 43 school districts.

Butler Technology and Career Development Schools

The Butler Technology and Career Development Schools is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from the participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Butler Technology and Career Development School is not part of the District and its operations are not included as part of the reporting entity.

Note 14 – Accountability

The following funds had a deficit in fund balance:

<u>Other Governmental Funds:</u>	<u>Deficit</u>
Title VI B Pre-School	\$119,543
Pre-School Disabilities	2,650
Extracurricular Student Activities	809,397
Title III	2,351
School Security	3,441

The deficits in fund balance were primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide transfers when cash is required not when accruals occur.

Note 15 - Statutory Reserves

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similar restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2020, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition and budgetary stabilization. Disclosure of the information is required by State statute.

	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2019	\$0	\$203,843
Current Year Set Aside Requirements	1,745,752	0
Qualified Disbursements	(3,963,203)	0
Current Year Offsets	0 *	0
Set Aside Reserve Balance as of June 30, 2020	<u>(\$2,217,451)</u>	<u>\$203,843</u>
Restricted Cash as of June 30, 2020	<u>\$0</u>	<u>\$203,843</u>

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

* - is a carryforward from prior years that can be used as the eligible amount to be used as a current year offsets. \$59,237 was used as the eligible offset for FY09, \$0 for FY10, \$131,981 for FY11, \$345,672 for FY12, \$381,875 for FY13, \$0 for FY 14, \$0 for FY 15, \$0 for FY 16, \$0 for FY 17, \$0 for FY18, \$0 for FY19, and \$0 for FY20. \$29,445,431 will be the offset carryforward for FY21.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for capital acquisition. For capital acquisition, the negative amount was a result of a bond issuance, which will be used to offset set-aside requirements in future years.

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2020, the Board had not acted on the Senate Bill requirements to eliminate the reserve balance.

Note 16 - Interfund Transactions

Interfund transactions at June 30, 2020, consisted of the following interfund receivables and interfund payables and transfers in and transfers out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$1,577,862	\$0	\$0	\$557,795
Other Governmental Funds	0	1,577,862	557,795	0
Total All Funds	<u>\$1,577,862</u>	<u>\$1,577,862</u>	<u>\$557,795</u>	<u>\$557,795</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 17 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned 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 constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

This Space Intentionally Left Blank

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
High Schools that Work	\$0	\$211	\$211
SchoolNet OneNet	0	15,031	15,031
Spring Recognition	0	172,025	172,025
Title I	0	11,479	11,479
Auxiliary Services	0	138,468	138,468
Miscellaneous Federal Grants	0	47,716	47,716
Classroom Facilities Maintenance	0	2,582,149	2,582,149
Student Wellness and Success	0	273,992	273,992
Food Service	0	791,650	791,650
Title II-A	0	6,834	6,834
Debt Service	0	2,971,640	2,971,640
Classroom Facilities	0	3,532,166	3,532,166
Building	0	995,878	995,878
Permanent Improvement	0	1,121	1,121
Total Restricted	0	11,540,360	11,540,360
Assigned to:			
Budgetary Resources	1,436,870	0	1,436,870
Public School Support	264,007	0	264,007
Encumbrances	4,544,013	0	4,544,013
Total Assigned	6,244,890	0	6,244,890
Unassigned (Deficit)	48,915,444	(937,382)	47,978,062
Total Fund Balance	\$55,160,334	\$10,602,978	\$65,763,312

Note 18 – Tax Abatements entered Into By Other Governments

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Fairfield (City) has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$631,344. The District received \$439,690 from the City in association with the forgone property tax revenue.

Note 19 – Implementation of New Accounting Principles

For fiscal year 2020, the District has postponed implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The District did not implement these statements due to the GASB postponing the implementation by 12 months because of the COVID-19 pandemic.

Fairfield City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 20 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures could impact subsequent periods of the District. The District's investment portfolio could incur a significant decline in fair value. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the District participates and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 21 – Other Commitments

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General Fund	\$5,226,655
Other Governmental Funds	<u>1,770,156</u>
Total	<u><u>\$6,996,811</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Fairfield City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.41127240%	\$24,607,149	\$14,108,970	174.41%	70.85%
2019	0.40831480%	23,384,945	13,371,904	174.88%	71.36%
2018	0.37554650%	22,438,074	12,359,779	181.54%	69.50%
2017	0.37917630%	27,752,207	11,775,807	235.67%	62.98%
2016	0.38661310%	22,060,518	12,363,202	178.44%	69.16%
2015	0.37768000%	19,114,170	11,085,491	172.43%	71.70%
2014	0.37768000%	22,466,151	13,815,087	162.62%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$2,013,974	(\$2,013,974)	\$0	\$14,385,529	14.00%
2019	1,904,711	(1,904,711)	0	14,108,970	13.50%
2018	1,805,207	(1,805,207)	0	13,371,904	13.50%
2017	1,730,369	(1,730,369)	0	12,359,779	14.00%
2016	1,648,613	(1,648,613)	0	11,775,807	14.00%
2015	1,629,470	(1,629,470)	0	12,363,202	13.18%
2014	1,536,449	(1,536,449)	0	11,085,491	13.86%
2013	1,912,008	(1,912,008)	0	13,815,087	13.84%
2012	2,045,640	(2,045,640)	0	15,209,219	13.45%
2011	2,302,656	(2,302,656)	0	18,318,663	12.57%

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total Pension Liability
2020	0.37516799%	\$82,966,146	\$44,277,343	187.38%	77.40%
2019	0.36544388%	80,352,904	41,304,429	194.54%	77.30%
2018	0.34644996%	82,299,930	37,985,743	216.66%	75.30%
2017	0.34421803%	115,220,150	36,362,914	316.86%	66.80%
2016	0.33766406%	93,320,470	34,408,800	271.21%	72.10%
2015	0.33398361%	81,236,372	36,748,815	221.06%	74.70%
2014	0.33398361%	96,507,633	37,901,538	254.63%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$6,701,832	(\$6,701,832)	\$0	\$47,870,229	14.00%
2019	6,198,828	(6,198,828)	0	44,277,343	14.00%
2018	5,782,620	(5,782,620)	0	41,304,429	14.00%
2017	5,318,004	(5,318,004)	0	37,985,743	14.00%
2016	5,090,808	(5,090,808)	0	36,362,914	14.00%
2015	4,817,232	(4,817,232)	0	34,408,800	14.00%
2014	4,777,346	(4,777,346)	0	36,748,815	13.00%
2013	4,927,200	(4,927,200)	0	37,901,538	13.00%
2012	5,362,812	(5,362,812)	0	41,252,400	13.00%
2011	5,687,592	(5,687,592)	0	43,750,708	13.00%

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB Liability
2020	0.42177930%	\$10,606,862	\$14,108,970	75.18%	15.57%
2019	0.41342540%	11,469,537	13,371,904	85.77%	13.57%
2018	0.38107170%	10,226,963	12,359,779	82.74%	12.46%
2017	0.38423866%	10,952,223	11,775,807	93.01%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$202,344	(\$202,344)	\$0	\$14,385,529	1.41%
2019	329,420	(329,420)	0	14,108,970	2.33%
2018	286,612	(286,612)	0	13,371,904	2.14%
2017	207,595	(207,595)	0	12,359,779	1.68%
2016	194,355	(194,355)	0	11,775,807	1.65%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position Percentage as a of the Total OPEB (Asset)/Liability
2020	0.37516799%	(\$6,213,681)	\$44,277,343	(14.03%)	174.74%
2019	0.36544388%	(5,872,310)	41,304,429	(14.22%)	176.00%
2018	0.34644996%	13,517,199	37,985,743	35.58%	47.10%
2017	0.34421803%	18,408,870	36,362,914	50.63%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Fairfield City School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$47,870,229	0.00%
2019	0	0	0	44,277,343	0.00%
2018	0	0	0	41,304,429	0.00%
2017	0	0	0	37,985,743	0.00%
2016	0	0	0	36,362,914	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Fairfield City School District, Ohio
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$45,968,262	\$48,790,924	\$48,790,924	\$0
Tuition and Fees	3,068,577	3,257,002	3,257,002	0
Investment Earnings	1,334,487	1,416,431	1,416,431	0
Intergovernmental	35,929,574	38,135,815	38,135,815	0
Extracurricular Activities	152,651	162,025	162,025	0
Other Revenues	2,537,122	2,692,913	2,692,913	0
Total Revenues	88,990,673	94,455,110	94,455,110	0
Expenditures:				
Current:				
Instruction:				
Regular	38,668,973	43,208,286	43,208,286	0
Special	11,867,796	13,260,945	13,260,945	0
Other	4,133,327	4,618,534	4,618,534	0
Support Services:				
Pupil	4,078,500	4,557,271	4,557,271	0
Instructional Staff	2,729,294	3,049,683	3,049,683	0
General Administration	10,543	11,781	11,781	0
School Administration	8,915,029	9,961,555	9,961,555	0
Fiscal	1,388,272	1,551,240	1,551,240	0
Business	272,626	304,629	304,629	0
Operations and Maintenance	6,999,272	7,820,910	7,820,910	0
Pupil Transportation	6,754,564	7,547,476	7,547,476	0
Central	220,117	245,956	245,956	0
Extracurricular Activities	1,400,140	1,564,501	1,564,501	0
Capital Outlay	1,434,833	1,603,267	1,603,267	0
Total Expenditures	88,873,286	99,306,034	99,306,034	0
Excess of Revenues Over (Under) Expenditures	117,387	(4,850,924)	(4,850,924)	0
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,156	3,350	3,350	0
Advances In	3,355,619	3,561,669	3,561,669	0
Advances (Out)	(1,669,907)	(1,865,936)	(1,865,936)	0
Transfers In	334,973	355,542	355,542	0
Transfers (Out)	(1,085,868)	(1,213,337)	(1,213,337)	0
Total Other Financing Sources (Uses)	937,973	841,288	841,288	0
Net Change in Fund Balance	1,055,360	(4,009,636)	(4,009,636)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	59,398,678	59,398,678	59,398,678	0
Fund Balance End of Year	\$60,454,038	\$55,389,042	\$55,389,042	\$0

See accompanying notes to the required supplementary information.

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2020

Note 1 - Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. During the course of fiscal 2020, the District amended its budget several times.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2020.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as assigned to a fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2020

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$475,536
Revenue Accruals	(2,112,196)
Expenditure Accruals	1,359,962
Transfers In	355,542
Transfers Out	(655,542)
Advances In	3,561,669
Advances Out	(1,865,936)
Encumbrances	<u>(5,128,671)</u>
Budget Basis	<u><u>(\$4,009,636)</u></u>

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2020: There were no changes in benefit terms from the amounts reported for this fiscal year.

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2020

male rates and 100% for female rates, set back five years is used for the period after disability retirement, and

- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2020: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
- | | |
|------------------------|-------|
| Prior Measurement Date | 3.70% |
| Measurement Date | 3.22% |

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2020

- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (4) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (5) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

Fairfield City School District, Ohio
Notes to the Required Supplementary Information
For The Year Fiscal Ended June 30, 2020

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

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

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

This page intentionally left blank.

Fairfield City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Child Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	2020	10.555	\$ 327,052	327,052
<i>Cash Assistance:</i>				
School Breakfast Program	2020	10.553	276,806	276,806
COVID-19 School Breakfast Program	2020	10.553	25,293	25,293
National School Lunch Program	2020	10.555	1,283,054	1,283,054
COVID-19 National School Lunch Program	2020	10.555	107,987	107,987
Summer Food Service Program for Children	2020	10.559	66,555	66,555
COVID-19 Summer Food Service Program for Children	2020	10.559	548,767	548,767
<i>Cash Assistance Subtotal</i>			<u>2,308,462</u>	<u>2,308,462</u>
Child Nutrition Cluster Total			<u>2,635,514</u>	<u>2,635,514</u>
Total U.S. Department of Agriculture			<u>2,635,514</u>	<u>2,635,514</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies (Title I Neglected)	S010A180035	84.010	6,991	5,481
Title I Grants to Local Educational Agencies (Title I Neglected)	S010A190035	84.010	10,000	12,000
Title I Grants to Local Educational Agencies	S010A180035	84.010	278,012	216,239
Title I Grants to Local Educational Agencies	S010A190035	84.010	<u>1,050,441</u>	<u>1,133,967</u>
			<u>1,345,444</u>	<u>1,367,687</u>
Special Education Cluster:				
Special Education - Grants to States	H027A180111	84.027	415,528	300,273
Special Education - Grants to States	H027A190111	84.027	2,103,068	2,245,444
Special Education - Preschool Restoration	H173180119	84.173	4,042	3,043
Special Education - Preschool Restoration	H173190119	84.173	19,330	20,578
Special Education - Preschool Grants	H173A180119	84.173	7,169	5,344
Special Education - Preschool Grants	H173A190119	84.173	31,727	33,774
			<u>2,580,864</u>	<u>2,608,456</u>
English Language Acquisition State Grants	S365A180035	84.365	69,881	66,825
English Language Acquisition State Grants	S365A190035	84.365	59,742	143,131
English Language Acquisition State Grants (Immigrant)	S365A180035	84.365	7,813	4,522
English Language Acquisition State Grants (Immigrant)	S365A190035	84.365	5,364	5,396
			<u>142,800</u>	<u>219,874</u>
Supporting Effective Instruction State Grant	S367A180034	84.367	53,208	12,390
Supporting Effective Instruction State Grant	S367A190034	84.367	172,694	193,613
			<u>225,902</u>	<u>206,003</u>
Student Support and Academic Enrichment	S424A180036	84.424	25,594	15,944
Student Support and Academic Enrichment	S424A190036	84.424	71,708	71,708
			<u>97,302</u>	<u>87,652</u>
Comprehensive Literacy Development	NA	84.371	102,842	86,215
Comprehensive Literacy Development	NA	84.371	201,014	258,527
			<u>303,856</u>	<u>344,742</u>
Total U.S. Department of Education			<u>4,696,168</u>	<u>4,834,414</u>

(continued)

Fairfield City School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020
(Continued)

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services:</u>				
Drug Free Communities Support Program (2019)	NA	93.276	34,739	30,850
Drug Free Communities Support Program (2020)	NA	93.276	<u>112,341</u>	<u>84,698</u>
Total U.S. Department of Health and Human Services			<u>147,080</u>	<u>115,548</u>
Total Federal Awards			\$ <u>7,478,762</u>	<u>7,585,476</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Fairfield City School District (the "School District") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

NOTE D - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Fairfield City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairfield City School District ("School District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we considered to be a material weakness.

Compliance and Other Matters

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

School District's Response to the Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 21, 2020

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

To the Board of Education
Fairfield City School District:

Report on Compliance for Each Major Federal Program

We have audited Fairfield City School District's ("School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 21, 2020

**Fairfield City School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
<i>CFDA 84.027 – Special Education – Grants to States</i>	
<i>CFDA 84.173 – Special Education – Preschool Grants</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

**Fairfield City School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020
(continued)**

Section II - Financial Statement Findings

Finding 2020-001 – Financial Reporting

Condition: We identified a misstatement in the financial statements for the year under audit that was not initially identified by the School District’s internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District’s financial statements did not operate as designed and we consider this a material weakness.

During the preparation of financial statements in accordance with generally accepted accounting principles, elements of the debt refunding were not properly recorded. We proposed a material audit adjustment to Governmental Activities to properly account for accreted interest and amortization of premium associated with the current year debt refunding transaction.

Recommendation: We recommend the School District enhances its internal controls over financial reporting to ensure the preparation of complete and accurate financial statements in conformity with generally accepted accounting principles.

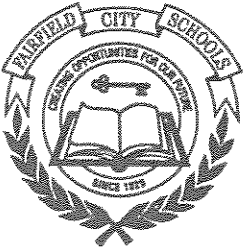
Management’s Response: Management concurs with the adjustment which has been posted to the financial statements.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Schedule of Prior Year Findings

None



Fairfield City Schools

Office of the Treasurer

4641 Bach Lane • Fairfield, Ohio 45014
Phone (513) 829-6300 • Fax (513) 829-0148

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	We will enhance our internal controls over financial reporting with steps such as additional management analysis of the financial statements.	6/30/21	Nancy Lane, Treasurer



OHIO AUDITOR OF STATE KEITH FABER



FAIRFIELD CITY SCHOOL DISTRICT

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/2/2021

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

This report is a matter of public record and is available online at
www.ohioauditor.gov