



**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2021

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Highland Local School District
Morrow County
6506 State Route 229
Marengo, Ohio 43334

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, Ohio (the School District), as of and for the year ended June 30, 2021, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As disclosed in Note 25 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis 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 and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information 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 August 15, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 15, 2022

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

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

Highlights

Highlights for fiscal year 2021 were as follows:

- Net position for governmental activities increased \$1,021,622, or 3 percent, and decreased \$8,745, or 4 percent, for the business-type activity.
- General revenues were \$18,536,558, or 82 percent of total revenues, and reflect the School District's dependence on property taxes, income taxes, and unrestricted state entitlements.
- For the business-type activity, 100 percent of the revenue was generated by the program.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

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

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

In the statement of net position and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Highland Park Fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

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

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

Enterprise Fund - The enterprise fund uses the same basis of accounting as the business-type activity; therefore, these statements are essentially the same.

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

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The School District as a Whole

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

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and Other Assets	\$21,475,080	\$19,187,993	(\$60,118)	(\$68,499)	\$21,414,962	\$19,119,494
Net OPEB Asset	1,185,471	1,085,301	0	0	1,185,471	1,085,301
Capital Assets, Net	52,675,768	53,651,037	282,528	299,654	52,958,296	53,950,691
Total Assets	<u>75,336,319</u>	<u>73,924,331</u>	<u>222,410</u>	<u>231,155</u>	<u>75,558,729</u>	<u>74,155,486</u>
<u>Deferred Outflows of Resources</u>						
Pension	4,006,550	3,704,758	0	0	4,006,550	3,704,758
OPEB	613,440	403,788	0	0	613,440	403,788
Other Amounts	1,636,117	1,665,208	0	0	1,636,117	1,665,208
Total Deferred Outflows of Resources	<u>6,256,107</u>	<u>5,773,754</u>	<u>0</u>	<u>0</u>	<u>6,256,107</u>	<u>5,773,754</u>
<u>Liabilities</u>						
Current and Other Liabilities	2,354,502	2,228,242	0	0	2,354,502	2,228,242
Long-Term Liabilities						
Net Pension Liability	21,008,782	18,578,542	0	0	21,008,782	18,578,542
Net OPEB Liability	1,586,779	1,766,413	0	0	1,586,779	1,766,413
Other Amounts	15,648,919	16,136,614	0	0	15,648,919	16,136,614
Total Liabilities	<u>40,598,982</u>	<u>38,709,811</u>	<u>0</u>	<u>0</u>	<u>40,598,982</u>	<u>38,709,811</u>
<u>Deferred Inflows of Resources</u>						
Pension	647,640	1,670,318	0	0	647,640	1,670,318
OPEB	2,362,250	1,989,137	0	0	2,362,250	1,989,137
Other Amounts	3,742,522	4,109,409	0	0	3,742,522	4,109,409
Total Deferred Inflows of Resources	<u>6,752,412</u>	<u>7,768,864</u>	<u>0</u>	<u>0</u>	<u>6,752,412</u>	<u>7,768,864</u>
<u>Net Position</u>						
Net Investment in Capital Assets	40,812,972	41,491,549	282,528	299,654	41,095,500	41,791,203
Restricted	3,437,272	3,134,244	0	0	3,437,272	3,134,244
Unrestricted (Deficit)	<u>(10,009,212)</u>	<u>(11,406,383)</u>	<u>(60,118)</u>	<u>(68,499)</u>	<u>(10,069,330)</u>	<u>(11,474,882)</u>
Total Net Position	<u>\$34,241,032</u>	<u>\$33,219,410</u>	<u>\$222,410</u>	<u>\$231,155</u>	<u>\$34,463,442</u>	<u>\$33,450,565</u>

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

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and

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No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

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Aside from the changes related to pension, there were few changes of note in the above table. The increase in current and other assets was primarily due to an increase in cash and cash equivalents. A combination on COVID relief resources, an increase in property tax revenue (based on assessed value of property) and income tax revenue (as pandemic recovery continues) led to this increase. The increase in current and other liabilities was largely due to salary and benefit related increases. The decrease in net capital assets and the investment in capital assets was due to annual depreciation. The decrease in other long-term liabilities represents the retirement of debt.

For the business-type activity, the negative current and other assets is due to resources owed to governmental activities at fiscal year end (interfund liability). The decrease in net capital assets is due to annual depreciation.

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

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$428,489	\$715,381	\$12,275	\$7,150	\$440,764	\$722,531
Operating Grants and Contributions	3,723,221	2,423,531	1,670	100	3,724,891	2,423,631
Capital Grants and Contributions	0	0	0	8,970	0	8,970
Total Program Revenues	4,151,710	3,138,912	13,945	16,220	4,165,655	3,155,132
General Revenues						
Property Taxes Levied for General Purposes	5,037,817	4,457,462	0	0	5,037,817	4,457,462
Property Taxes Levied for Classroom Facilities Purposes	135,550	123,875	0	0	135,550	123,875
Property Taxes Levied for Debt Service Purposes	869,938	981,696	0	0	869,938	981,696
Property Taxes Levied for Permanent Improvement Purposes	158,867	140,531	0	0	158,867	140,531
Income Taxes Levied for General Purposes	1,496,588	1,254,075	0	0	1,496,588	1,254,075
Grants and Entitlements not Restricted to Specific Programs	9,902,176	9,927,921	0	0	9,902,176	9,927,921
Interest	28,030	435,487	0	0	28,030	435,487
Gifts and Donations	234,223	7,973	0	0	234,223	7,973
Other	673,369	641,019	0	0	673,369	641,019
Total General Revenues	18,536,558	17,970,039	0	0	18,536,558	17,970,039
Total Revenues	22,688,268	21,108,951	13,945	16,220	22,702,213	21,125,171

(continued)

Highland Local School District
Management's Discussion and Analysis
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Table 2
Changes in Net Position
(continued)

	Governmental Activities		Business-Type Activity		Total	
	2021	2020	2021	2020	2021	2020
<u>Expenses</u>						
Instruction:						
Regular	\$8,555,609	\$8,151,917	\$0	\$0	\$8,555,609	\$8,151,917
Special	2,788,199	3,051,111	0	0	2,788,199	3,051,111
Vocational	401,393	338,489	0	0	401,393	338,489
Support Services:						
Pupils	1,975,580	1,963,603	0	0	1,975,580	1,963,603
Instructional Staff	620,614	293,603	0	0	620,614	293,603
Board of Education	280,153	331,026	0	0	280,153	331,026
Administration	1,281,584	1,460,372	0	0	1,281,584	1,460,372
Fiscal	483,344	480,265	0	0	483,344	480,265
Operation of Maintenance of Plant	1,730,257	1,877,843	0	0	1,730,257	1,877,843
Pupil Transportation	1,322,228	1,324,625	0	0	1,322,228	1,324,625
Central	9,583	10,628	0	0	9,583	10,628
Non-Instructional Services	825,973	921,933	0	0	825,973	921,933
Extracurricular Activities	752,246	802,621	0	0	752,246	802,621
Interest and Fiscal Charges	639,883	664,900	0	0	639,883	664,900
Highland Park	0	0	22,690	49,905	22,690	49,905
Total Expenses	21,666,646	21,672,936	22,690	49,905	21,689,336	21,722,841
Increase (Decrease) in Net Position	1,021,622	(563,985)	(8,745)	(33,685)	1,012,877	(597,670)
Net Position at Beginning of Year	33,219,410	33,783,395	231,155	264,840	33,450,565	34,048,235
Net Position at End of Year	\$34,241,032	\$33,219,410	\$222,410	\$231,155	\$34,463,442	\$33,450,565

Total revenues for governmental activities increased 7 percent from the prior fiscal year. For program revenues, there was a decrease in charges for services largely due to a reduction in food service sales related to a combination of schools being closed and hybrid learning as a result of the pandemic. The increase in operating grants and contributions was largely due to COVID relief resources. For general revenues, the increase in property taxes is based on the assessed valuation of property (assessed value increased over \$31 million) and an increase in income taxes as pandemic recovery continues. The decrease in interest revenue is due to low interest rates and a decline in market values. There was very little change in total expenses.

For the business-type activity, charges for services revenue increased with more activity at the park than in the prior fiscal year. The decrease in expenses was due to no salary costs in fiscal year 2021 and less maintenance.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction:				
Regular	\$8,555,609	\$8,151,917	\$8,201,064	\$8,014,464
Special	2,788,199	3,051,111	1,111,722	1,342,639
Vocational	401,393	338,489	323,344	260,440
Support Services:				
Pupils	1,975,580	1,963,603	1,255,368	1,727,862
Instructional Staff	620,614	293,603	231,734	293,603
Board of Education	280,153	331,026	280,153	331,026
Administration	1,281,584	1,460,372	1,281,584	1,460,372
Fiscal	483,344	480,265	470,412	468,546
Operation and Maintenance of Plant	1,730,257	1,877,843	1,730,257	1,877,843
Pupil Transportation	1,322,228	1,324,625	1,276,662	1,324,625
Central	9,583	10,628	9,583	10,628
Non-Instructional Services	825,973	921,933	124,705	181,378
Extracurricular Activities	752,246	802,621	578,465	575,698
Interest and Fiscal Charges	639,883	664,900	639,883	664,900
Total Expenses	<u>\$21,666,646</u>	<u>\$21,672,936</u>	<u>\$17,514,936</u>	<u>\$18,534,024</u>

As demonstrated again in the above table, general revenues are relied upon to bear the burden of the costs of programs provided by the School District. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

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

There was a substantial increase in fund balance in the General Fund (32 percent). Revenues increase from an increase in property taxes and income taxes as discussed previously. There was also an increase in miscellaneous revenue related to workers' compensation reimbursements. There was a 5 percent decrease in total expenditures with modest changes affecting all programs.

Fund balance decreased in the Bond Retirement debt service fund as amounts needed for debt payments were in excess of property taxes and related revenues.

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Fund balance increased in the Permanent Improvement fund primarily due to resources transferred from the General Fund for capital projects.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the fiscal year, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were due to a change in the expectations for property tax and income tax revenue as well as from State foundation resources. Changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant. Changes from the final budget to actual expenditures were due to budgeting conservatively.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the School District had \$52,675,768 invested in capital assets (net of accumulated depreciation). Governmental additions for fiscal year 2021 included miscellaneous equipment and three buses. Disposals included two buses and a truck. There were no additions or disposals for the business-type activity. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$14,647,805, for school construction. The School District's long-term obligations also include the net pension/OPEB liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Current Issues

Highland Local School District is located in southern Morrow County and includes a small portion of northeastern Delaware County (Porter Township). The School District is made up largely from a residential tax base and enjoys a rural country setting. Interstate 71 is within easy access to the School District residents and is an easy commute for many traveling to Columbus. The School District currently serves 1,658 students.

Property values were updated in 2020 which resulted in a combined increase of 12 percent (\$259 million to \$290 million). Residential values alone for Morrow County increased 20 percent while agricultural values decreased 16 percent (largely due to legislative changes to the CAUV calculations for agricultural use land).

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

The School District proudly offers high quality educational experience while maintaining one of the lowest overall property tax rates in the State (a total of 23.25 mills which includes 3.15 mills for bond retirement and .6 mills for permanent improvements). The School District also has a continuing one-half percent income tax which has been received since 1991.

The School District depends largely on the State's Foundation funding system. As much as two-thirds of the School District's operational funding is received from the State. The School District continues to maintain a stable financial position through conservative spending. Although the State's economic condition has improved, it is unclear what the long- term impact of the Coronavirus Pandemic will have on the funding formula to public school districts.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jon Mason, Treasurer, Highland Local School District, 6506 State Route 229, P.O. Box 98, Sparta, Ohio 43350.

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

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$14,364,163	\$0	\$14,364,163
Accounts Receivable	206,289	0	206,289
Accrued Interest Receivable	23,021	0	23,021
Intergovernmental Receivable	501,806	0	501,806
Income Taxes Receivable	622,340	0	622,340
Internal Balances	60,118	(60,118)	0
Prepaid Items	32,143	0	32,143
Inventory Held for Resale	17,654	0	17,654
Materials and Supplies Inventory	52,927	0	52,927
Property Taxes Receivable	5,594,619	0	5,594,619
Net OPEB Asset	1,185,471	0	1,185,471
Nondepreciable Capital Assets	776,573	187,500	964,073
Depreciable Capital Assets, Net	51,899,195	95,028	51,994,223
Total Assets	<u>75,336,319</u>	<u>222,410</u>	<u>75,558,729</u>
<u>Deferred Outflows of Resources:</u>			
Deferred Charge on Refunding	1,636,117	0	1,636,117
Pension	4,006,550	0	4,006,550
OPEB	613,440	0	613,440
Total Deferred Outflows of Resources	<u>6,256,107</u>	<u>0</u>	<u>6,256,107</u>
<u>Liabilities:</u>			
Accounts Payable	49,157	0	49,157
Accrued Wages and Benefits Payable	1,879,664	0	1,879,664
Intergovernmental Payable	358,513	0	358,513
Matured Compensated Absences Payable	33,088	0	33,088
Accrued Interest Payable	34,080	0	34,080
<u>Long-Term Liabilities:</u>			
Due Within One Year	326,530	0	326,530
Due in More Than One Year			
Net Pension Liability	21,008,782	0	21,008,782
Net OPEB Liability	1,586,779	0	1,586,779
Other Amounts Due in More than One Year	15,322,389	0	15,322,389
Total Liabilities	<u>40,598,982</u>	<u>0</u>	<u>40,598,982</u>
<u>Deferred Inflows of Resources:</u>			
Property Taxes	3,742,522	0	3,742,522
Pension	647,640	0	647,640
OPEB	2,362,250	0	2,362,250
Total Deferred Inflows of Resources	<u>6,752,412</u>	<u>0</u>	<u>6,752,412</u>
<u>Net Position:</u>			
Net Investment in Capital Assets	40,812,972	282,528	41,095,500
<u>Restricted For:</u>			
Debt Service	1,185,058	0	1,185,058
Cafeteria Operations	364,921	0	364,921
Classroom Facilities	1,297,303	0	1,297,303
Other Purposes	589,990	0	589,990
Unrestricted (Deficit)	(10,009,212)	(60,118)	(10,069,330)
Total Net Position	<u>\$34,241,032</u>	<u>\$222,410</u>	<u>\$34,463,442</u>

See Accompanying Notes to Basic Financial Statements

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$8,555,609	\$23,105	\$331,440
Special	2,788,199	193,150	1,483,327
Vocational	401,393	0	78,049
Support Services:			
Pupils	1,975,580	0	720,212
Instructional Staff	620,614	0	388,880
Board of Education	280,153	0	0
Administration	1,281,584	0	0
Fiscal	483,344	12,932	0
Operation and Maintenance of Plant	1,730,257	0	0
Pupil Transportation	1,322,228	0	45,566
Central	9,583	0	0
Non-Instructional Services	825,973	25,521	675,747
Extracurricular Activities	752,246	173,781	0
Interest and Fiscal Charges	639,883	0	0
Total Governmental Activities	21,666,646	428,489	3,723,221
 <u>Business-Type Activity:</u>			
Highland Park	22,690	12,275	1,670
Total	\$21,689,336	\$440,764	\$3,724,891

General Revenues:

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

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental Activities	Business-Type Activity	Total
(\$8,201,064)	\$0	(\$8,201,064)
(1,111,722)	0	(1,111,722)
(323,344)	0	(323,344)
(1,255,368)	0	(1,255,368)
(231,734)	0	(231,734)
(280,153)	0	(280,153)
(1,281,584)	0	(1,281,584)
(470,412)	0	(470,412)
(1,730,257)	0	(1,730,257)
(1,276,662)	0	(1,276,662)
(9,583)	0	(9,583)
(124,705)	0	(124,705)
(578,465)	0	(578,465)
(639,883)	0	(639,883)
(17,514,936)	0	(17,514,936)
0	(8,745)	(8,745)
(17,514,936)	(8,745)	(17,523,681)
5,037,817	0	5,037,817
135,550	0	135,550
869,938	0	869,938
158,867	0	158,867
1,496,588	0	1,496,588
9,902,176	0	9,902,176
28,030	0	28,030
234,223	0	234,223
673,369	0	673,369
18,536,558	0	18,536,558
1,021,622	(8,745)	1,012,877
33,219,410	231,155	33,450,565
\$34,241,032	\$222,410	\$34,463,442

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$9,179,585	\$975,519	\$2,160,603	\$1,780,844
Accounts Receivable	202,129	0	0	4,160
Accrued Interest Receivable	23,021	0	0	0
Intergovernmental Receivable	78,346	0	0	423,460
Income Taxes Receivable	622,340	0	0	0
Interfund Receivable	134,642	0	0	0
Prepaid Items	31,497	0	0	646
Inventory Held for Resale	0	0	0	17,654
Materials and Supplies Inventory	48,731	0	0	4,196
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	267,612	0	0	0
Property Taxes Receivable	4,442,889	909,519	139,671	102,540
Total Assets	<u>\$15,030,792</u>	<u>\$1,885,038</u>	<u>\$2,300,274</u>	<u>\$2,333,500</u>
<u>Liabilities:</u>				
Accounts Payable	\$43,916	\$0	\$0	\$5,241
Accrued Wages and Benefits Payable	1,663,066	0	0	216,598
Intergovernmental Payable	343,772	0	0	14,741
Interfund Payable	0	0	0	74,524
Matured Compensated Absences Payable	30,085	0	0	3,003
Total Liabilities	<u>2,080,839</u>	<u>0</u>	<u>0</u>	<u>314,107</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	2,931,739	658,986	91,950	59,847
Unavailable Revenue	444,106	24,519	4,671	293,383
Total Deferred Inflows of Resources	<u>3,375,845</u>	<u>683,505</u>	<u>96,621</u>	<u>353,230</u>
<u>Fund Balances:</u>				
Nonspendable	80,228	0	0	4,842
Restricted	267,612	1,201,533	0	1,861,400
Committed	561,739	0	2,203,653	0
Assigned	1,188,737	0	0	0
Unassigned (Deficit)	7,475,792	0	0	(200,079)
Total Fund Balances	<u>9,574,108</u>	<u>1,201,533</u>	<u>2,203,653</u>	<u>1,666,163</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$15,030,792</u>	<u>\$1,885,038</u>	<u>\$2,300,274</u>	<u>\$2,333,500</u>

See Accompanying Notes to the Basic Financial Statements

Total
Governmental
Funds

\$14,096,551
206,289
23,021
501,806
622,340
134,642
32,143
17,654
52,927

267,612
5,594,619
\$21,549,604

\$49,157
1,879,664
358,513
74,524
33,088
2,394,946

3,742,522
766,679
4,509,201

85,070
3,330,545
2,765,392
1,188,737
7,275,713
14,645,457

\$21,549,604

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

Total Governmental Fund Balances		\$14,645,457
<p>Amounts reported for governmental activities on the statement of net position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		52,675,768
Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		1,636,117
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	123,353	
Accrued Interest Receivable	15,736	
Intergovernmental Receivable	359,166	
Income Taxes Receivable	87,805	
Delinquent Property Taxes Receivable	180,619	766,679
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(34,080)	
General Obligation Bonds Payable	(14,647,805)	
Compensated Absences Payable	(1,001,114)	(15,682,999)
The net pension liability and net OPEB liability (asset) are not due and payable in the current period, therefore, the asset, liability, and related deferred outflows/inflows are not reported in governmental funds.		
Net OPEB Asset	1,185,471	
Deferred Outflows - Pension	4,006,550	
Deferred Inflows - Pension	(647,640)	
Net Pension Liability	(21,008,782)	
Deferred Outflows - OPEB	(2,362,250)	
Deferred Inflows - OPEB	613,440	
Net OPEB Liability	(1,586,779)	(19,799,990)
Net Position of Governmental Activities		\$34,241,032

See Accompanying Notes to the Basic Financial Statements

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

	General	Bond Retirement	Permanent Improvement	Other Governmental
<u>Revenues:</u>				
Property Taxes	\$5,041,417	\$878,507	\$158,980	\$135,981
Income Taxes	1,528,797	0	0	0
Intergovernmental	10,616,813	118,301	19,534	2,910,271
Interest	28,784	0	0	0
Tuition and Fees	217,259	0	0	0
Extracurricular Activities	13,962	0	0	173,781
Charges for Services	23,984	0	0	25,521
Gifts and Donations	234,223	0	0	0
Miscellaneous	808,345	0	5,575	13,091
Total Revenues	<u>18,513,584</u>	<u>996,808</u>	<u>184,089</u>	<u>3,258,645</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,280,340	0	0	306,987
Special	1,967,560	0	0	621,019
Vocational	353,488	0	0	0
Support Services:				
Pupils	1,222,457	0	0	688,871
Instructional Staff	165,482	0	0	394,280
Board of Education	280,153	0	0	0
Administration	1,196,184	0	0	0
Fiscal	442,373	24,438	4,157	3,269
Operation and Maintenance of Plant	1,594,387	0	91,192	47,449
Pupil Transportation	1,154,303	0	0	45,566
Central	400	0	0	9,183
Non-Instructional Services	11,805	0	0	717,108
Extracurricular Activities	326,924	0	0	165,666
Debt Service:				
Principal Retirement	0	295,000	0	0
Interest and Fiscal Charges	0	410,825	0	0
Interest on Capital Appreciation Bonds	0	340,000	0	0
Total Expenditures	<u>15,995,856</u>	<u>1,070,263</u>	<u>95,349</u>	<u>2,999,398</u>
Excess of Revenues Over (Under) Expenditures	<u>2,517,728</u>	<u>(73,455)</u>	<u>88,740</u>	<u>259,247</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	2,900	0	0	0
Transfers In	0	0	200,000	0
Transfers Out	(200,000)	0	0	0
Total Other Financing Sources (Uses)	<u>(197,100)</u>	<u>0</u>	<u>200,000</u>	<u>0</u>
Changes in Fund Balances	2,320,628	(73,455)	288,740	259,247
Fund Balances at Beginning of Year	7,253,480	1,274,988	1,914,913	1,406,916
Fund Balances at End of Year	<u>\$9,574,108</u>	<u>\$1,201,533</u>	<u>\$2,203,653</u>	<u>\$1,666,163</u>

See Accompanying Notes to the Basic Financial Statements

Total
Governmental
Funds

\$6,214,885
1,528,797
13,664,919
28,784
217,259
187,743
49,505
234,223
827,011

22,953,126

7,587,327
2,588,579
353,488

1,911,328
559,762
280,153
1,196,184
474,237
1,733,028
1,199,869
9,583
728,913
492,590

295,000
410,825
340,000

20,160,866

2,792,260

2,900
200,000
(200,000)

2,900

2,795,160

11,850,297

\$14,645,457

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

Changes in Fund Balances - Total Governmental Funds \$2,795,160

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

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

Capital Outlay - Depreciable Capital Assets	389,212	
Depreciation	(1,364,481)	
		(975,269)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(2,900)	
Gain on Disposal of Capital Assets	2,900	
		0

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Delinquent Property Taxes	(12,713)	
Income Taxes	(32,209)	
Intergovernmental	(53,484)	
Interest	(754)	
Tuition and Fees	(12,056)	
Miscellaneous	(156,542)	
		(267,758)

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

295,000

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	312	
Annual Accretion on Capital Appreciation Bonds	(234,617)	
Payment of Accretion on Capital Appreciation Bonds	340,000	
Amortization of Premium	35,752	
Amortization of Discount	(1,414)	
Amortization of Deferred Charge on Refunding	(29,091)	
		110,942

(continued)

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

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		\$52,974
Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	(2,607,423)	
OPEB	<u>69,227</u>	(2,538,196)
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,501,653	
OPEB	<u>47,116</u>	<u>1,548,769</u>
Change in Net Position of Governmental Activities		<u><u>\$1,021,622</u></u>
See Accompanying Notes to the Basic Financial Statements		

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$4,230,246	\$4,630,246	\$4,750,292	\$120,046
Income Taxes	1,025,000	1,350,000	1,352,266	2,266
Intergovernmental	10,115,000	10,600,000	10,611,950	11,950
Interest	250,000	150,000	128,635	(21,365)
Tuition and Fees	171,000	246,000	217,259	(28,741)
Extracurricular Activities	10,000	10,000	13,962	3,962
Charges for Services	28,782	28,782	52,766	23,984
Gifts and Donations	75,754	88,954	90,716	1,762
Miscellaneous	54,500	26,750	30,436	3,686
Total Revenues	<u>15,960,282</u>	<u>17,130,732</u>	<u>17,248,282</u>	<u>117,550</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,552,689	7,552,690	7,495,904	56,786
Special	2,154,000	2,152,725	1,956,253	196,472
Vocational	308,000	308,000	338,101	(30,101)
Support Services:				
Pupils	1,617,473	1,617,473	1,253,352	364,121
Instructional Staff	179,043	179,043	163,355	15,688
Board of Education	355,250	355,250	266,509	88,741
Administration	1,389,105	1,379,830	1,182,794	197,036
Fiscal	413,500	413,500	435,322	(21,822)
Operation and Maintenance of Plant	1,568,141	1,568,141	1,579,420	(11,279)
Pupil Transportation	1,049,615	1,114,615	1,127,629	(13,014)
Central	1,496	1,496	400	1,096
Non-Instructional Services	12,000	17,000	11,805	5,195
Extracurricular Activities	319,221	319,221	325,418	(6,197)
Total Expenditures	<u>16,919,533</u>	<u>16,978,984</u>	<u>16,136,262</u>	<u>842,722</u>
Excess of Revenues Over (Under) Expenditures	<u>(959,251)</u>	<u>151,748</u>	<u>1,112,020</u>	<u>960,272</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	10,000	10,000	2,900	(7,100)
Refund of Prior Year Expenditures	271,218	861,218	908,779	47,561
Transfers Out	0	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	<u>281,218</u>	<u>671,218</u>	<u>711,679</u>	<u>40,461</u>
Changes in Fund Balance	(678,033)	822,966	1,823,699	1,000,733
Fund Balance at Beginning of Year	7,017,820	7,017,820	7,017,820	0
Prior Year Encumbrances Appropriated	271,166	271,166	271,166	0
Fund Balance at End of Year	<u>\$6,610,953</u>	<u>\$8,111,952</u>	<u>\$9,112,685</u>	<u>\$1,000,733</u>

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
Statement of Fund Net Position
Enterprise Fund
June 30, 2021

	Highland Park
<u>Assets:</u>	
<u>Non-Current Assets:</u>	
Nondepreciable Capital Assets	187,500
Depreciable Capital Assets, Net	95,028
Total Assets	282,528
 <u>Liabilities:</u>	
<u>Current Liabilities:</u>	
Interfund Payable	60,118
 <u>Net Position:</u>	
Net Investment in Capital Assets	282,528
Unrestricted (Deficit)	(60,118)
Total Net Position	\$222,410

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
Statement of Revenues, Expenses, and Change in Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2021

	Highland Park
<u>Operating Revenues:</u>	
Charges for Services	\$12,275
Other Operating Revenues	1,670
Total Operating Revenues	13,945
<u>Operating Expenses:</u>	
Purchased Services	64
Materials and Supplies	5,500
Depreciation	17,126
Total Operating Expenses	22,690
Change in Net Position	(8,745)
Net Position at Beginning of Year	231,155
Net Position at End of Year	\$222,410

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2021

	Highland Park
<u>Increase in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$12,275
Cash Received from Other Revenues	1,670
Cash Payments for Goods and Services	(5,564)
Net Cash Provided by Operating Activities	8,381
 <u>Cash Flows from Noncapital Financing Activities</u>	
Cash Received from Advances In	(8,381)
 Net Increase in Cash and Cash Equivalents	0
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	\$0
 Reconciliation of Operating Loss	
<u>to Net Cash Provided by Operating Activities:</u>	
Operating Loss	(\$8,745)
 Adjustments to Reconcile Operating Loss	
<u>to Net Cash Provided by Operating Activities:</u>	
Depreciation	17,126
Net Cash Provided by Operating Activities	\$8,381

See Accompanying Notes to the Basic Financial Statements

Highland Local School District
Statement of Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2021

<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$17,628</u></u>
<u>Net Position:</u>	
Held in Trust for Scholarships	<u><u>\$17,628</u></u>

See Accompanying Notes to the Basic Financial Statements

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

	Private Purpose Trust	Custodial
<u>Additions:</u>		
Charges Received for OSHAA	\$0	\$15,950
<u>Deductions:</u>		
Distributions on Behalf of OHSAA	0	15,950
Changes in Net Position	0	0
Net Position at Beginning of Year	17,628	0
Net Position at End of Year	\$17,628	\$0

See Accompanying Notes to the Basic Financial Statements

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

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1960. The School District serves an area of approximately one hundred forty-four square miles and is located in Morrow and Delaware Counties. It is staffed by one hundred four classified employees, one hundred thirty-seven certified teaching personnel, and seven administrative employees who provide services to 1,658 students and other community members. The School District currently operates an elementary school, a middle school, and a high school.

Reporting Entity

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

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

The School District participates in two jointly governed organizations, an insurance pool, and is associated with a related organization. These organizations are the Metropolitan Educational Technology Association, Tri-Rivers Joint Vocational School, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Selover Public Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

Fund Financial Statements

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

B. Fund Accounting

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for the movement of inside millage of property taxes committed for the acquisition, construction, or improvement of capital facilities.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one enterprise fund, which is not a major fund that accounts for the operations of a community park.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report activities that are not required to be reported in a trust fund. The School District's private purpose trust fund accounts for college scholarships for students after graduation. The School District's custodial fund accounts for resources held on behalf the Ohio High School Athletic Association.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

For the enterprise fund, the statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise activity.

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

D. Basis of Accounting

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding and for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and OPEB and explained in Notes 14 and 15 to the basic financial statements.

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

Note 2 - Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 19. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Notes 14 and 15 to the basic financial statements.

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

F. Cash and Investments

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

During fiscal year 2021, investments consisted of mutual funds, negotiable certificates of deposit, federal agency securities, United States Treasury securities, commercial paper, and STAR Ohio. Investments are reported at fair value or amortized cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board Statement No. 79, “Certain External Investment Pools and Pool Participants”. The School District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV that approximates fair value.

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

The School District’s commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2021 was \$28,784, which includes \$12,596 assigned from other School District funds.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

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

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund consists of unexpended revenues restricted for bus purchases.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. They generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activity column on the government-wide statement of net position and in the respective fund.

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

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

Description	Governmental Activities Useful Lives	Business-Type Activities Useful Lives
Land Improvements	10 - 40 years	N/A
Buildings and Building Improvements	15 - 100 years	10 years
Furniture, Fixtures, and Equipment	5 - 40 years	5-10 years
Vehicles	5 - 15 years	N/A

Note 2 - Summary of Significant Accounting Policies (continued)

K. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

L. Interfund Assets/Liabilities

On fund financial statements, outstanding interfund loans are reported as “Interfund Receivables/Payables”. Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as “Internal Balances”.

M. Compensated Absences

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

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

O. Unamortized Premiums and Discounts

On government-wide financial statements, premiums and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction of the face amount of bonds payable.

On the governmental fund financial statements, bond premiums and discounts are recognized in the period when the debt is issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited in the Bond Retirement Fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to a bond escrow agent.

P. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs and federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Fund Balance

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education has also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2022 budget, as well as certain educational and extracurricular activities.

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

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

R. Interfund Transactions

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

S. Pension/Postemployment Benefits

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

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are charges for services from concession sales, for the rental of a community park, and from donations. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

U. Estimates

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

Note 3 - Change in Accounting Principles

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

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2021, the Elementary and Secondary School Emergency Relief, Title VI-B, Title I, and Title II-A special revenue funds had deficit fund balances, in the amount of \$60,518, \$55,056, \$77,366, and \$7,139, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

Note 4 - Accountability and Compliance (continued)

B. Compliance

For the fiscal year ended June 30, 2021, the Highland Park enterprise fund had final appropriations in excess of estimated resources, in the amount \$64,063. The Treasurer will monitor appropriations to ensure they are within amounts available.

Note 5 - Budgetary Basis of Accounting

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

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

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

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

Changes in Fund Balance	
GAAP Basis	\$2,320,628
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2020, Received in Cash FY 2021	1,617,135
Accrued FY 2021, Not Yet Received in Cash	(2,067,404)
	(continued)

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

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance (continued)	
Expenditure Accruals:	
Accrued FY 2020, Paid in Cash FY 2021	(\$1,990,141)
Accrued FY 2021, Not Yet Paid in Cash	2,080,839
Cash Adjustments:	
Unrecorded Cash Activity FY 2020	256,431
Unrecorded Cash Activity FY 2021	(162,685)
Prepaid Items	(482)
Materials and Supplies Inventory	1,323
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(231,945)
Budget Basis	\$1,823,699

Note 6 - Deposits and Investments

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

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

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

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

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

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

Note 6 - Deposits and Investments (continued)

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

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

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

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

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

Note 6 - Deposits and Investments (continued)

Investments

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

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months To One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value - Level One Inputs					
Mutual Funds	\$28,158	\$28,158	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	3,777,922	439,492	355,425	1,300,298	1,682,707
Federal Farm Credit Bank Notes	1,598,828	0	0	443,591	1,155,237
Federal Home Loan Bank Notes	743,459	0	0	0	743,459
Federal Home Loan Mortgage Corporation Notes	247,055	0	0	0	247,055
Federal National Mortgage Association Notes	247,130	0	0	0	247,130
United States Treasury Notes	444,434	245,652	0	0	198,782
Total Fair Value - Level Two Inputs	<u>7,058,828</u>	<u>685,144</u>	<u>355,425</u>	<u>1,743,889</u>	<u>4,274,370</u>
Amortized Cost					
Commercial Paper	<u>974,421</u>	<u>574,889</u>	<u>399,532</u>	<u>0</u>	<u>0</u>
Net Asset Value Per Share					
STAR Ohio	<u>660,843</u>	<u>660,843</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Investments	<u><u>\$8,722,250</u></u>	<u><u>\$1,949,034</u></u>	<u><u>\$754,957</u></u>	<u><u>\$1,743,889</u></u>	<u><u>\$4,274,370</u></u>

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

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

Note 6 - Deposits and Investments (continued)

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

The mutual funds carry a rating of Aaa by Moody's. The negotiable certificates of deposit are covered by FDIC insurance. The federal agency securities and United States Treasury securities carry a rating of Aaa by Moody's. The commercial paper carries a rating of P-1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service, commercial paper must be rated in the highest category at the time of purchase by two nationally recognized standard rating services, and STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District's investment policy states that the School District may not invest more than 25 percent of its portfolio individually or in combination in commercial paper and/or bankers' acceptances. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$3,777,922	43.31%
Federal Farm Credit Bank Notes	1,598,828	18.33
Federal Home Loan Bank Notes	743,459	8.52
Federal Home Loan Mortgage Corporation Notes	247,055	2.83
Federal National Mortgage Association	247,130	2.83
United States Treasury Notes	444,434	5.10
Commercial Paper	974,421	11.17

Note 7 - Receivables

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

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

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Fund	
General Fund	
School Employees Retirement System	\$73,483
State of Ohio	4,863
Total General Fund	78,346
Other Governmental Funds	
Food Service	145,942
Elementary and Secondary School Emergency Relief	60,518
Title VI-B	17,000
Title I	185,000
Title II-A	15,000
Total Other Governmental Funds	423,460
Total Intergovernmental Receivables	\$501,806

Note 8 - Income Taxes

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2021, was \$1,363,261 in the General Fund, \$39,153 in the Classroom Facilities special revenue fund, \$226,014 in the Bond Retirement debt service fund, and \$43,050 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2020, was \$1,072,136 in the General Fund, \$34,422 in the Classroom Facilities special revenue fund, \$234,176 in the Bond Retirement debt service fund, and \$33,857 in the Permanent Improvement capital projects fund.

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

Note 9 - Property Taxes (continued)

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

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$226,228,260	87.46%	\$254,863,090	87.92%
Industrial/Commercial	22,967,330	8.88	23,639,340	8.16
Public Utility	9,468,210	3.66	11,359,960	3.92
Total Assessed Value	<u>\$258,663,800</u>	<u>100.00%</u>	<u>\$289,862,390</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$24.25		\$23.25	

Note 10 - Capital Assets

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

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$776,573	\$0	\$0	\$776,573
Depreciable Capital Assets				
Land Improvements	2,724,021	0	0	2,724,021
Buildings and Building Improvements	60,374,473	0	0	60,374,473
Furniture, Fixtures, and Equipment	1,659,522	126,605	0	1,786,127
Vehicles	2,348,243	262,607	(130,282)	2,480,568
Total Depreciable Capital Assets	<u>67,106,259</u>	<u>389,212</u>	<u>(130,282)</u>	<u>67,365,189</u>
Less Accumulated Depreciation				
Land Improvements	(852,421)	(180,043)	0	(1,032,464)
Buildings and Building Improvements	(10,897,482)	(924,855)	0	(11,822,337)
Furniture, Fixtures, and Equipment	(901,217)	(100,055)	0	(1,001,272)
Vehicles	(1,580,675)	(159,528)	130,282	(1,609,921)
Total Accumulated Depreciation	<u>(14,231,795)</u>	<u>(1,364,481)</u>	<u>130,282</u>	<u>(15,465,994)</u>
Depreciable Capital Assets, Net	<u>52,874,464</u>	<u>(975,269)</u>	<u>0</u>	<u>51,899,195</u>
Governmental Activities Capital Assets, Net	<u>\$53,651,037</u>	<u>(\$975,269)</u>	<u>\$0</u>	<u>\$52,675,768</u>

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

Note 10 - Capital Assets (continued)

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21
Business-Type Activities				
Nondepreciable Capital Assets				
Land	\$187,500	\$0	\$0	\$187,500
Depreciable Capital Assets				
Buildings and Building Improvements	134,700	0	0	134,700
Furniture, Fixtures, and Equipment	31,560	0	0	31,560
Total Depreciable Capital Assets	166,260	0	0	166,260
Less Accumulated Depreciation				
Buildings and Building Improvements	(44,900)	(13,470)	0	(58,370)
Furniture, Fixtures, and Equipment	(9,206)	(3,656)	0	(12,862)
Total Accumulated Depreciation	(54,106)	(17,126)	0	(71,232)
Depreciable Capital Assets, Net	112,154	(17,126)	0	95,028
Business-Type Activities Capital Assets, Net	\$299,654	(\$17,126)	\$0	\$282,528

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$621,425
Special	32,451
Vocational	29,671
Support Services:	
Pupils	8,499
Instructional Staff	53,140
Administration	23,229
Fiscal	4,322
Operation and Maintenance of Plant	73,467
Pupil Transportation	177,613
Non-Instructional Services	99,445
Extracurricular Activities	241,219
Total Depreciation Expense	<u>\$1,364,481</u>

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

Note 11 - Interfund

At June 30, 2021, the General Fund had an interfund receivable, in the amount of \$134,642; \$74,524 from other governmental funds and \$60,118 from the Highland Park enterprise fund for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Note 12 - Risk Management

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

Coverage purchased from Argonaut Insurance Group is as follows:

Buildings and Contents - replacement cost	\$63,098,176
Automobile Liability	1,000,000
General School District Liability	
Per Occurrence	1,000,000
Total per Year	3,000,000
Excess School District Liability	
Per Occurrence	2,000,000
Total per Year	2,000,000

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

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

Note 13 - Contractual Commitments

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

General Fund	\$231,945
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Note 14 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

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

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

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

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

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

Note 14 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows.

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three year COLA suspension is in effect for all benefit recipients for 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a .5 percent cost of living adjustment for eligible retirees and beneficiaries in 2021.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contributions to the Health Care Fund.

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

Note 14 - Defined Benefit Pension Plans (continued)

The School District's contractually required contribution to SERS was \$347,580 for fiscal year 2021. Of this amount, \$73,150 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty. Eligibility changes for DBP members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age sixty or thirty years of service credit at any age.

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

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

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

Note 14 - Defined Benefit Pension Plans (continued)

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

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

The School District's contractually required contribution to STRS was \$1,154,073 for fiscal year 2021. Of this amount, \$197,180 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06831550%	0.06552792%	
Current Measurement Date	0.07087400%	0.06745218%	
Change in Proportionate Share	0.00255850%	0.00192426%	
Proportionate Share of			
the Net Pension Liability	\$4,687,755	\$16,321,027	\$21,008,782
Pension Expense	\$524,897	\$2,082,526	\$2,607,423

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

Note 14 - Defined Benefit Pension Plans (continued)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences Between Expected and Actual			
Experience	\$9,106	\$36,620	\$45,726
Changes of Assumptions	0	876,124	876,124
Net Difference Between Projected and Actual			
Earnings on Pension Plan Investments	297,577	793,693	1,091,270
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	93,149	398,628	491,777
School District Contributions Subsequent to the Measurement Date	347,580	1,154,073	1,501,653
Total Deferred Outflows of Resources	<u>\$747,412</u>	<u>\$3,259,138</u>	<u>\$4,006,550</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual			
Experience	\$0	\$104,362	\$104,362
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	51,311	491,967	543,278
Total Deferred Inflows of Resources	<u>\$51,311</u>	<u>\$596,329</u>	<u>\$647,640</u>

\$1,501,653 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	SERS	STRS	Total
Fiscal Year Ended June 30,			
2022	\$6,955	\$513,696	\$520,651
2023	124,362	131,698	256,060
2024	124,037	428,774	552,811
2025	93,167	434,568	527,735
Total	<u>\$348,521</u>	<u>\$1,508,736</u>	<u>\$1,857,257</u>

Actuarial Assumptions - SERS

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

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

Note 14 - Defined Benefit Pension Plans (continued)

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

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

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

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

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

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

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

Note 14 - Defined Benefit Pension Plans (continued)

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$6,421,653	\$4,687,755	\$3,232,983

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

Note 14 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

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

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017

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

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

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

Note 14 - Defined Benefit Pension Plans (continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$23,238,302	\$16,321,027	\$10,459,214

Note 14 - Defined Benefit Pension Plans (continued)

Social Security System

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

Note 15 - Defined Benefit OPEB Plans

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

School Employees Retirement System (SERS)

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. The financial report of the Plan is included in the SERS Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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

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

Note 15 - Defined Benefit OPEB Plans (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$47,116.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, is the amount assigned to the Health Care Fund. The School District's contribution to SERS for health care was \$47,116 for fiscal year 2021. Of this amount, \$47,116 is reported as an intergovernmental payable.

State Teachers Retirement System (STRS)

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

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

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

Note 15 - Defined Benefit OPEB Plans (continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.07024100%	0.06552792%	
Current Measurement Date	<u>0.07301150%</u>	<u>0.06745218%</u>	
Change in Proportionate Share	<u>0.00277050%</u>	<u>0.00192426%</u>	
Proportionate Share of the			
Net OPEB Liability	\$1,586,779	\$0	\$1,586,779
Net OPEB Asset	\$0	\$1,185,471	\$1,185,471
OPEB Expense	\$5,451	(\$74,678)	(\$69,227)

At June 30, 2021, the School District 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>
Deferred Outflows of Resources			
Differences Between Expected and Actual			
Experience	\$20,840	\$75,959	\$96,799
Changes of Assumptions	270,490	19,569	290,059
Net Difference Between Projected and Actual			
Earnings on OPEB Plan Investments	17,879	41,546	59,425
Changes in Proportionate Share and Difference			
Between School District Contributions			
and Proportionate Share of Contributions	77,559	42,482	120,041
School District Contributions Subsequent to the			
Measurement Date	<u>47,116</u>	<u>0</u>	<u>47,116</u>
Total Deferred Outflows of Resources	<u>\$433,884</u>	<u>\$179,556</u>	<u>\$613,440</u>
Deferred Inflows of Resources			
Differences Between Expected and Actual			
Experience	\$806,988	\$236,128	\$1,043,116
Changes of Assumptions	39,967	1,125,998	1,165,965
Changes in Proportionate Share and Difference			
Between School District Contributions			
and Proportionate Share of Contributions	<u>78,736</u>	<u>74,433</u>	<u>153,169</u>
Total Deferred Inflows of Resources	<u>\$925,691</u>	<u>\$1,436,559</u>	<u>\$2,362,250</u>

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

Note 15 - Defined Benefit OPEB Plans (continued)

\$47,116 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or increase in the net OPEB asset in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2022	(\$109,524)	(\$310,314)	(\$419,838)
2023	(108,231)	(282,193)	(390,424)
2024	(108,441)	(272,325)	(380,766)
2025	(110,160)	(279,493)	(389,653)
2026	(79,054)	(55,840)	(134,894)
Thereafter	(23,513)	(56,838)	(80,351)
Total	<u>(\$538,923)</u>	<u>(\$1,257,003)</u>	<u>(\$1,795,926)</u>

Actuarial Assumptions - SERS

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

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

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

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

Note 15 - Defined Benefit OPEB Plans (continued)

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

Inflation	3 percent
Wage Increases	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7 to 4.75 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

Note 15 - Defined Benefit OPEB Plans (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2020, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rates. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.63 percent) or one percentage point higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6 percent decreasing to 3.75 percent) and one percentage point higher (8 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63)
School District's Proportionate Share of the Net OPEB Liability	\$1,942,178	\$1,586,779	\$1,304,237
	1% Decrease (6% Decreasing to 3.75%)	Current Trend Rate (7% Decreasing to 4.75%)	1% Increase (8% Decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$1,249,468	\$1,586,779	\$2,037,850

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

Note 15 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

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

Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 percent initial, 4 percent ultimate

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

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

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

Since the prior measurement date, there was no change to the claims cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

Note 15 - Defined Benefit OPEB Plans (continued)

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Asset	\$1,031,437	\$1,185,471	\$1,316,163
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Asset	\$1,308,051	\$1,185,471	\$1,036,150

Note 16 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-two days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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

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

Note 16 - Other Employee Benefits (continued)

B. Health Care Benefits

The School District offers employee medical benefits through Anthem Blue Cross/Blue Shield. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The School District offers dental benefits through Delta Dental. The School District offers life insurance to all employees through American United Life.

Note 17 - Long-Term Obligations

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

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement FY 2009					
Capital Appreciation Bonds 13.12%	\$265,000	\$0	\$90,000	\$175,000	\$90,000
Accretion on Capital Appreciation Bonds	921,537	129,616	340,000	711,153	0
Bond Premium	10,469	0	3,555	6,914	0
Bond Discount	(4,163)	0	(1,414)	(2,749)	0
Total School Facilities Construction and Improvement FY2009	1,192,843	129,616	432,141	890,318	90,000
FY2016A Refunding					
Serial Bonds (1-4%)	6,490,000	0	135,000	6,355,000	0
Term Bonds (3-3.5%)	1,205,000	0	0	1,205,000	135,000
Capital Appreciation Bonds (18.74-18.48%)	140,000	0	0	140,000	0
Accretion on Capital Appreciation Bonds	191,868	64,678	0	256,546	0
Bond Premium	1,302,387	0	22,441	1,279,946	0
Total FY2016A Refunding	9,329,255	64,678	157,441	9,236,492	135,000

(continued)

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

Note 17 - Long-Term Obligations (continued)

	Balance at 6/30/20	Additions	Reductions	Balance at 6/30/21	Amounts Due Within One Year
Governmental Activities (continued)					
General Long-Term Obligations (continued)					
General Obligation Bonds (continued)					
FY2016B Refunding					
Serial Bonds (1-4%)	\$3,635,000	\$0	\$70,000	\$3,565,000	\$70,000
Capital Appreciation Bonds (10.24%)	250,000	0	0	250,000	0
Accretion on Capital Appreciation Bonds	133,956	40,323	0	174,279	0
Bond Premium	541,472	0	9,756	531,716	0
Total FY2016B Refunding	4,560,428	40,323	79,756	4,520,995	70,000
Total General Obligation Bonds	15,082,526	234,617	669,338	14,647,805	295,000
Net Pension Liability					
SERS	4,087,436	600,319	0	4,687,755	0
STRS	14,491,106	1,829,921	0	16,321,027	0
Total Net Pension Liability	18,578,542	2,430,240	0	21,008,782	0
Net OPEB Liability					
SERS	1,766,413	0	179,634	1,586,779	0
Compensated Absences Payable	1,054,088	69,666	122,640	1,001,114	31,530
Total Governmental Activities Long-Term Obligations	\$36,481,569	\$2,734,523	\$971,612	\$38,244,480	\$326,530

FY 2009 School Facilities Construction and Improvement Bonds - On November 25, 2008, the School District issued \$15,000,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$1,970,000, \$12,665,000, and \$365,000, respectively. The bonds were issued for a twenty-eight fiscal year period, with final maturity during fiscal year 2037. During fiscal year 2016, all of the term bonds were refunded, in the amount of \$12,665,000. The remaining bonds will be retired through the Bond Retirement debt service fund.

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

Note 17 - Long-Term Obligations (continued)

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2020 through 2023. The maturity amount of the bonds is \$1,840,000. For fiscal year 2021, \$129,616 was accreted and \$340,000 was retired on the capital appreciation bonds for a total value of \$886,153 at fiscal year end.

FY 2016A Refunding School Improvement Bonds - On August 27, 2015, the School District issued general obligation bonds, in the amount of \$8,465,000, to partially refund bonds previously issued in fiscal year 2009 for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$7,120,000, \$1,205,000, and \$140,000, respectively. The bonds were issued for a twenty-one fiscal year period, with maturity in fiscal year 2037. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2021	\$135,000
2022	145,000

The remaining principal, in the amount of \$145,000, will be paid at stated maturity on December 1, 2023.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2024	\$150,000
2025	150,000

The remaining principal, in the amount of \$155,000, will be paid at stated maturity on December 1, 2026.

The bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2027	\$160,000

The remaining principal, in the amount of \$165,000, will be paid at stated maturity on December 1, 2028.

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

Note 17 - Long-Term Obligations (continued)

The serial bonds are subject to prior redemption on or after December 1, 2023, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2030 and 2031. The maturity amount of the bonds is \$1,930,000. For fiscal year 2021, \$64,678 was accreted on the capital appreciation bonds for a total value of \$396,546 at fiscal year end.

As of June 30, 2021, the refunded bonds were fully retired.

FY 2016B Refunding School Improvement Bonds - On March 15, 2016, the School District issued general obligation bonds, in the amount of \$4,200,000, to partially refund bonds previously issued in fiscal year 2009 for constructing, renovating, and adding to buildings; furnishing and equipping buildings; and improving School District sites. The refunding bond issue included serial and capital appreciation bonds, in the original amount of \$3,950,000 and \$250,000, respectively. The bonds were issued for a thirteen fiscal year period, with maturity in fiscal year 2029. The bonds are being retired through the Bond Retirement debt service fund.

The serial bonds are subject to prior redemption on or after December 1, 2023, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2024. The maturity amount of the bonds is \$540,000. For fiscal year 2021, \$40,323 was accreted on the capital appreciation bonds for a total value of \$424,279 at fiscal year end.

As of June 30, 2021, the refunded bonds were fully retired.

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund and the Food Service special revenue fund.

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

The School District's overall debt margin was \$15,599,148 with an unvoted debt margin of \$289,862 at June 30, 2021.

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

Note 17 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2021, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds				
	Serial	Term	Capital Appreciation	Interest	Total
2022	\$70,000	\$135,000	\$90,000	\$806,400	\$1,101,400
2023	70,000	145,000	85,000	820,975	1,120,975
2024	0	145,000	250,000	685,925	1,080,925
2025	615,000	150,000	0	382,275	1,147,275
2026	650,000	150,000	0	358,800	1,158,800
2027-2031	2,160,000	480,000	140,000	3,169,238	5,949,238
2032-2036	5,190,000	0	0	757,487	5,947,487
2037	1,165,000	0	0	23,300	1,188,300
	<u>\$9,920,000</u>	<u>\$1,205,000</u>	<u>\$565,000</u>	<u>\$7,004,400</u>	<u>\$18,694,400</u>

Note 18 - Fund Balance

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

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Nonspendable for:					
Materials and Supplies Inventory	\$48,731	\$0	\$0	\$4,196	\$52,927
Prepaid Items	31,497	0	0	646	32,143
Total Nonspendable	<u>80,228</u>	<u>0</u>	<u>0</u>	<u>4,842</u>	<u>85,070</u>

(continued)

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

Note 18 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$81,411	\$81,411
Bus Purchase	267,612	0	0	0	267,612
Debt Retirement	0	1,201,533	0	0	1,201,533
Education Management Information Systems	0	0	0	673	673
Food Service Operations	0	0	0	360,754	360,754
School Facilities Maintenance	0	0	0	1,293,763	1,293,763
Special Instruction	0	0	0	3,506	3,506
Student Activities	0	0	0	70,734	70,734
Student Wellness and Success	0	0	0	50,559	50,559
Total Restricted	267,612	1,201,533	0	1,861,400	3,330,545
Committed for:					
Building Construction	0	0	2,203,653	0	2,203,653
Technology	561,739	0	0	0	561,739
Total Committed	561,739	0	2,203,653	0	2,765,392
Assigned for:					
Educational Activities	16,561	0	0	0	16,561
Extracurricular Activities	12,721	0	0	0	12,721
Projected Budget Shortage	930,739	0	0	0	930,739
Student Scholarships	10,992	0	0	0	10,992
Unpaid Obligations	217,724	0	0	0	217,724
Total Assigned	1,188,737	0	0	0	1,188,737
Unassigned (Deficit)	7,475,792	0	0	(200,079)	7,275,713
Total Fund Balance	\$9,574,108	\$1,201,533	\$2,203,653	\$1,666,163	\$14,645,457

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

Note 19 - Set Asides

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

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

	Capital Improvements
Balance June 30, 2020	\$0
Current Year Set Aside Requirement	317,946
Current Year Offsets	(317,946)
Balance June 30, 2021	\$0

Note 20 - Interfund Transfers

During fiscal year 2021, the General Fund made transfers, in the amount of \$200,000, to the Permanent Improvement capital projects fund for permanent improvements.

Note 21 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Athens, Crawford, Delaware, Erie, Fairfield, Franklin, Jackson, Knox, Licking, Madison, Mahoning, Marion, Morrow, Muskingum, Pickaway, Richland, Trumbull, Union, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META consists of twelve members of participating school districts. During fiscal year 2021, the School District paid \$46,070 to META for various services.

META also serves as a purchasing cooperative made up of school districts, libraries, and related agencies to obtain prices for quality merchandise and services commonly used by the participants. All participants must pay all fees, charges, or other assessments related to this activity.

Financial information can be obtained from the Metropolitan Educational Technology Association, 100 Executive Drive, Marion, Ohio 43302.

Note 21 - Jointly Governed Organizations (continued)

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

Note 22 - Insurance Pool

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

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

Note 23 - Related Organization

The Selover Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by the Board of Trustees appointed by the Highland Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Selover Public Library, P.O. Box 25, Chesterville, Ohio 43317.

Note 24 - Contingencies

A. Grants

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

Note 24 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. All FTE adjustments from ODE have been completed for fiscal year 2021 and resulted in a receivable to the School District of \$7,330. Management does not consider this adjustment material; therefore, this amount is not included in the financial statements.

C. Litigation

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

Note 25 - COVID-19

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

Note 26 - Subsequent Event

For fiscal year 2022, School District foundation funding received from the State will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective educating school. For fiscal year 2021, the School District reported \$363,655 in revenues and expenditures/expenses related to these programs.

This new funding system calculates a unique base cost and a unique "per pupil local capacity amount" for each School District. The School District's State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.07087400%	0.06831550%	0.07312310%	0.07104080%
School District's Proportionate Share of the Net Pension Liability	\$4,687,755	\$4,087,436	\$4,187,896	\$4,244,530
School District's Employee Payroll	\$2,492,550	\$2,358,193	\$2,402,733	\$2,359,107
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	188.07%	173.33%	174.30%	179.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.07068940%	0.07152490%	0.07557300%	0.07557300%
\$5,173,811	\$4,081,279	\$3,824,707	\$4,494,084
\$2,200,021	\$2,158,264	\$2,011,244	\$2,155,656
235.17%	189.10%	190.17%	208.48%
62.98%	69.16%	71.70%	65.52%

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.06745218%	0.06552792%	0.06783844%	0.70504630%
School District's Proportionate Share of the Net Pension Liability	\$16,321,027	\$14,491,106	\$14,916,148	\$16,748,526
School District's Employee Payroll	\$8,488,000	\$7,748,114	\$7,725,229	\$7,819,179
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	192.28%	187.03%	193.08%	214.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017	2016	2015	2014
0.06876847%	0.06853702%	0.06882538%	0.06882538%
\$23,018,878	\$18,941,627	\$16,740,714	\$19,941,429
\$7,277,479	\$7,114,064	\$7,145,508	\$6,841,615
316.30%	266.26%	234.28%	291.47%
66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability	0.07301150%	0.07024100%	0.07399890%	0.07202870%
School District's Proportionate Share of the Net OPEB Liability	\$1,586,779	\$1,766,413	\$2,052,929	\$1,933,060
School District's Employee Payroll	\$2,492,550	\$2,358,193	\$2,402,733	\$2,359,107
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	63.66%	74.91%	85.44%	81.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017

0.07170600%

\$2,043,886

\$2,200,021

92.90%

11.49%

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

	2021	2020	2019	2018
School District's Proportion of the Net OPEB Liability (Asset)	0.06745218%	0.06552792%	0.06783844%	0.07050463%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,185,471)	(\$1,085,301)	(\$1,090,094)	\$2,750,831
School District's Employee Payroll	\$8,488,000	\$7,748,114	\$7,725,229	\$7,819,179
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Employee Payroll	-13.97%	-14.01%	-14.11%	35.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	176.00%	47.10%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

2017

0.06876847%

\$3,677,756

\$7,277,479

50.54%

37.30%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$347,580	\$348,957	\$318,356	\$324,369
Contributions in Relation to the Contractually Required Contribution	<u>(347,580)</u>	<u>(348,957)</u>	<u>(318,356)</u>	<u>(324,369)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$2,482,714	\$2,492,550	\$2,358,193	\$2,402,733
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.50%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	\$47,116	\$44,377	\$55,747	\$53,530
Contributions in Relation to the Contractually Required Contribution	<u>(47,116)</u>	<u>(44,377)</u>	<u>(55,747)</u>	<u>(53,530)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>1.90%</u>	<u>1.78%</u>	<u>2.36%</u>	<u>2.23%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.90%</u>	<u>15.78%</u>	<u>15.86%</u>	<u>15.73%</u>

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

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$330,275	\$308,003	\$284,459	\$278,758	\$298,343	\$289,701
<u>(330,275)</u>	<u>(308,003)</u>	<u>(284,459)</u>	<u>(278,758)</u>	<u>(298,343)</u>	<u>(289,701)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,359,107	\$2,200,021	\$2,158,264	\$2,011,244	\$2,155,656	\$2,153,913
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
\$38,974	\$36,583	\$55,963	\$41,733	\$41,235	\$49,304
<u>(38,974)</u>	<u>(36,583)</u>	<u>(55,963)</u>	<u>(41,733)</u>	<u>(41,235)</u>	<u>(49,304)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.65%</u>	<u>1.66%</u>	<u>2.59%</u>	<u>2.07%</u>	<u>1.91%</u>	<u>2.29%</u>
<u>15.65%</u>	<u>15.66%</u>	<u>15.77%</u>	<u>15.93%</u>	<u>15.75%</u>	<u>15.74%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$1,154,073	\$1,188,320	\$1,084,736	\$1,081,532
Contributions in Relation to the Contractually Required Contribution	<u>(1,154,073)</u>	<u>(1,188,320)</u>	<u>(1,084,736)</u>	<u>(1,081,532)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,243,379	\$8,488,000	\$7,748,114	\$7,725,229
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$1,094,685	\$1,018,847	\$995,969	\$928,916	\$889,410	\$874,963
<u>(1,094,685)</u>	<u>(1,018,847)</u>	<u>(995,969)</u>	<u>(928,916)</u>	<u>(889,410)</u>	<u>(874,963)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,819,179	\$7,277,479	\$7,114,064	\$7,145,508	\$6,841,615	\$6,730,485
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
\$0	\$0	\$0	\$71,455	\$68,416	\$67,305
<u>0</u>	<u>0</u>	<u>0</u>	<u>(71,455)</u>	<u>(68,416)</u>	<u>(67,305)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

Net Pension Liability

Changes in Assumptions - SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

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

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

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

Net OPEB Liability

Changes in Assumptions - SERS

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

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

Changes in Assumptions - STRS

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

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

Changes in Benefit Terms - STRS

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

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

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

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

For fiscal year 2021, there was no change to the claims cost process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on the June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021, to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED June 30, 2021**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance			
National School Lunch Program - Commodities	10.555	N/A	75,805
Cash Assistance:			
School Breakfast Program - Covid-19	10.553	N/A	16,681
School Breakfast Program	10.553	N/A	81,170
School Lunch Program - Covid-19	10.555	N/A	20,193
National School Lunch Program	10.555	N/A	333,518
Total Child Nutrition Cluster			<u>527,367</u>
Total U.S. Department of Agriculture			<u>527,367</u>
U.S Department of Treasury			
<i>Passed Through Ohio Department of Education</i>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	189,931
<i>Passed Through Bennington Township</i>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	233,147
<i>Passed Through Peru Township</i>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	80,000
Total U.S. Department of Treasury			<u>503,078</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	306,716
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	417,292
Special Education Preschool Grants	84.173	N/A	<u>17,918</u>
Total Special Education Cluster			435,209
Improving Teacher Quality State Grants	84.367A	N/A	76,222
Student Support and Academic Enrichment Program	84.424A	N/A	28,777
COVID-19 Education Stabilization Fund	84.425D	N/A	234,445
Total U.S. Department of Education			<u>1,081,369</u>
Total Expenditures of Federal Awards			

The accompanying notes are an integral part of this schedule.

**HIGHLAND LOCAL SCHOOLS
MORROW COUNTY NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Highland Local School District (the District's) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 – SUMMARY OF 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE E - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 35,683.53
Special Education - Grants to States	84.027	\$ 6,032.88

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Highland Local School District
Morrow County
6506 State Route 229
Marengo, Ohio 43350

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Highland Local School District, Morrow County, (the School District) as of and for the year ended June 30, 2021, 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 August 15, 2022 wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 15, 2022

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Highland Local School District
Morrow County
6506 State Route 229
Marengo, Ohio 43334

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Highland Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Highland Local School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, Highland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 15, 2022

**HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

4. OTHER – FINDINGS FOR RECOVERY

We identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

HIGHLAND LOCAL SCHOOL DISTRICT
MORROW COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021

4. OTHER – FINDINGS FOR RECOVERY –Continued)

FINDING NUMBER 2021-001

Finding for Recovery Repaid Under Audit- Tuition Reimbursement

The School District internal staff development policy and the classified staff collectively-bargained agreement permit the Board of Education to reimburse for cost incurred for educational expenses and participation of in-service training subject to prior approval of the Superintendent.

Under the Collective Bargaining Contract between the Highland Education Association and the Highland Locals School District Board of Education, pursuant to Article 5, Section 509(A) pertaining to "Tuition Reimbursement", the agreement states that "The reimbursement shall, at no point, be more than the actual cost of the course."

On October 29, 2020, the School District improperly reimbursed Jessica Litzenberg \$5,642 for tuition reimbursement expenses rather than her actual cost of \$4,642. This resulted in an overpayment of \$1,000 to Ms. Litzenberg.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code §117.28**, a Finding for Recovery for public money illegal expended is hereby issued against Jessica Litzenberg in the amount of \$1,000, and in favor of the Highland Local School District General Fund.

On June 9, 2022, the Finding for Recovery amount of \$1,000 was paid in full to the School District by Ms. Litzenberg. As such, this constitutes a Finding for Recovery Repaid Under Audit.

Official's Response: The District will review its internal controls for reimbursement of all staff training, in effort to avoid any incorrect payment amounts.

OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND LOCAL SCHOOL DISTRICT

MORROW 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 9/13/2022

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