



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FAIRLAND LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
JUNE 30, 2024**

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LAWRENCE COUNTY  
JUNE 30, 2024**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Fairland Local School District  
Lawrence County  
228 Private Drive 10010  
Proctorville, Ohio 45669

To the Board of Education:

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio (School District) as of and for the year ended June 30, 2024, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio as of June 30, 2024, and the changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As discussed in Note 21 to the financial statements, during 2024, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. The beginning balance was restated because of this and a change in major fund for 2024. Our opinion is not modified with respect to this matter.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio  
April 7, 2025

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**Fairland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*Unaudited*

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The discussion and analysis of the Fairland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2024. 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

- Net position of governmental activities increased \$1,077,121.
- General revenues accounted for \$13,382,200 or 75% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,458,499 or 25% of total revenues of \$17,840,699. The School District had \$17,504,248 in expenses related to governmental activities. The School District also reported extraordinary items of \$740,670 for insurance proceeds due to damage to the Fairland West Elementary School by a tornado.
- The General Fund and the Permanent Improvement Fund are the School District's major funds. The General Fund had \$14,764,030 in revenues and other financing sources and \$14,506,429 in expenditures. The General Fund's balance increased \$257,601. The Permanent Improvement Fund had \$1,278,803 in revenues and extraordinary items and \$1,723,130 in expenditures. The Permanent Improvement Fund's balance decreased \$444,327.

### **Using this Annual Financial Report**

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

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

### ***Reporting the School District as a Whole***

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

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2024?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies.

This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some

**Fairland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*Unaudited*

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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's activities are all considered to be Governmental Activities.

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

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

***Fund Financial Statements***

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

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

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**Fairland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*Unaudited*

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**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2024 compared to 2023.

Table 1  
Net Position

	<u>2024</u>	<u>2023</u>
Assets:		
Current and Other Assets	\$12,787,613	\$12,663,817
Capital Assets, Net	<u>16,750,173</u>	<u>16,025,639</u>
Total Assets	29,537,786	28,689,456
 Deferred Outflows of Resources	 3,270,420	 3,902,027
Liabilities:		
Current and Other Liabilities	3,272,685	3,285,619
Long-Term Liabilities	<u>14,851,494</u>	<u>16,120,986</u>
Total Liabilities	18,124,179	19,406,605
 Deferred Inflows of Resources	 8,264,699	 7,842,671
Net Position:		
Investment in Capital Assets	16,708,837	14,745,529
Restricted	1,517,912	2,604,433
Unrestricted (Deficit)	<u>(11,807,421)</u>	<u>(12,007,755)</u>
Total Net Position	<u>\$6,419,328</u>	<u>\$5,342,207</u>

Total assets increased \$848,330 mainly due to increases property taxes receivable and capital assets. Deferred outflows of resources decreased \$631,607 due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities.

Total liabilities decreased \$1,282,426 mainly due to decreases in accounts payable, contracts payable, and net pension liability. Deferred inflows of resources increased \$422,028 due to increases in property taxes which were partially offset by changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities.

**Fairland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*Unaudited*

Table 2 shows the changes in net position for the fiscal year ended June 30, 2024 compared to June 30, 2023.

Table 2 Change in Net Position		2024	2023
		<u>2024</u>	<u>2023</u>
Revenues			
Program Revenues:			
Charges for Services and Sales		\$609,043	\$609,894
Operating Grants and Contributions		3,847,088	4,621,246
Capital Grants and Contributions		2,368	0
Total Program Revenues		<u>4,458,499</u>	<u>5,231,140</u>
General Revenues:			
Taxes Levied for:			
General Purposes		4,771,979	4,583,596
Grants and Entitlements, Not Restricted to Specific Programs		8,205,367	8,094,236
Investment Earnings		183,734	99,150
Gain on Sale of Assets		3,000	0
Miscellaneous and Insurance Recoveries		218,120	159,661
Total General Revenues		<u>13,382,200</u>	<u>12,936,643</u>
Total Revenues		<u>17,840,699</u>	<u>18,167,783</u>
Program Expenses:			
Instruction:			
Regular		7,487,378	8,012,360
Special		2,341,976	2,282,675
Vocational		85,030	84,976
Student Intervention Services		2,706	5,340
Other		36,645	39,149
Support Services:			
Pupils		802,801	815,875
Instructional Staff		440,446	362,973
Board of Education		137,130	130,627
Administration		1,293,532	1,215,637
Fiscal		440,168	425,920
Business		5,251	4,950
Operation and Maintenance of Plant		2,362,006	2,044,344
Pupil Transportation		717,628	706,479
Central		20,540	20,627
Operation of Noninstructional Services		781,724	751,817
Extracurricular Activities		549,287	655,147
Total Expenses		<u>17,504,248</u>	<u>17,558,896</u>
Extraordinary Items		<u>740,670</u>	<u>0</u>
Change in Net Position		1,077,121	608,887
Net Position at Beginning of Year		<u>5,342,207</u>	<u>4,733,320</u>
Net Position at End of Year		<u>\$6,419,328</u>	<u>\$5,342,207</u>

**Fairland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*Unaudited*

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Revenue decreased \$327,084 mostly due to decreases in operating grants and contributions. These decreases were partially offset by increases in property taxes and unrestricted grants and entitlements. Program expenses remained relatively consistent between the years. The School District had also reported extraordinary items during the fiscal year. The Fairland West Elementary School sustained damage during a tornado. The School District received insurance proceeds to repair the damage.

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3  
Total and Net Cost of Program Services

	2024		2023	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$9,953,735	\$7,698,301	\$10,424,500	\$8,498,865
Support Services	6,219,502	4,950,661	5,727,432	3,397,302
Operation of Noninstructional Services	781,724	162,455	751,817	66,495
Extracurricular Activities	549,287	234,332	655,147	365,094
Total Expenses	<u>\$17,504,248</u>	<u>\$13,045,749</u>	<u>\$17,558,896</u>	<u>\$12,327,756</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 75% of program expenses activities are supported through taxes and other general revenues.

### **The School District Funds**

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$17,848,522, expenditures of \$19,682,339, and extraordinary items of \$1,276,435, which resulted in a net decrease in total governmental fund balances of \$557,382.

The fund balance of the General Fund increased \$257,601. The General Fund had total revenues and other financing sources of \$14,764,030 in fiscal year 2024 compared to total revenues of \$14,231,271 in fiscal year 2023. The General Fund had total expenditures of \$14,506,429 in fiscal year 2024 compared to total expenditures of \$14,270,354 in fiscal year 2023. The General Fund's unassigned fund balance of \$2,038,764 represents fourteen percent of current year expenditures.

The fund balance of the Permanent Improvement Fund decreased \$444,327. The fund has a deficit fund balance of \$321,547.

### **General Fund Budgeting Highlights**

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

During the course of fiscal year 2024, the School District amended its General Fund budget as needed to reflect unexpected increases/decreases in revenues and expenditures. For the General Fund, budget basis revenue was \$204,944 more than the original estimate of \$14,500,000 and \$295,056 less than the final estimate of \$15,000,000 mainly due to less than expected property and other local taxes.

**Fairland Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2024*  
*Unaudited*

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Budget basis expenditures and other financing uses were \$203,837 less than the original estimate of \$14,848,204 and \$703,837 less than the final estimate of \$15,348,204. The primary reason for this is regular instruction was less than expected.

The School District's ending unobligated General Fund balance was \$3,417,438.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2024, the School District had \$16,750,173 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2024 balances compared to 2023.

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

	2024	2023
Land	\$445,337	\$445,337
Construction in Progress	1,670,677	1,478,258
Buildings and Improvements	12,590,410	12,291,376
Furniture and Equipment	1,598,816	1,282,618
Vehicles	444,933	528,050
Totals	<u>\$16,750,173</u>	<u>\$16,025,639</u>

See note 8 for more information on capital assets.

#### ***Debt***

At June 30, 2024, the School District had no debt outstanding.

#### **Economic Factors**

The School District depends on the State School Foundation Program and must maintain its prudent spending habits. The financial situation is stable at the present time; however, the School District is unable to predict what effect the budget of the State of Ohio for the next biennium may have on its financial operations.

#### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Wendy McGoon, Fairland Local School District Treasurer, 228 Private Drive 10010, Proctorville, Ohio 45669.

**Fairland Local School District**  
*Statement of Net Position*  
*As of June 30, 2024*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,189,622
Cash and Cash Equivalents in Segregated Accounts	2,300
Accrued Interest Receivable	8,882
Intergovernmental Receivable	171,847
Insurance Proceeds Receivable	1,234,677
Property Taxes Receivable	5,214,427
Net OPEB Asset	965,858
Nondepreciable Capital Assets	2,116,014
Depreciable Capital Assets, Net	14,634,159
<i>Total Assets</i>	29,537,786
<b>Deferred Outflows of Resources:</b>	
Pension	2,796,614
OPEB	473,806
<i>Total Deferred Outflows of Resources</i>	3,270,420
<b>Liabilities:</b>	
Accounts Payable	183,462
Accrued Wages and Benefits Payables	1,493,795
Contracts Payable	1,276,013
Intergovernmental Payable	208,810
Accrued Vacation Leave Payable	97,217
Matured Compensated Absences Payable	13,388
Long-Term Liabilities:	
Due Within One Year	63,161
Due in More Than One Year	765,171
Net Pension Liability	13,241,767
Net OPEB Liability	781,395
<i>Total Liabilities</i>	18,124,179
<b>Deferred Inflows of Resources:</b>	
Property Taxes not Levied to Finance Current Year Operations	4,739,097
Pension	1,851,249
OPEB	1,674,353
<i>Total Deferred Inflows of Resources</i>	8,264,699
<b>Net Position:</b>	
Net Investment in Capital Assets	16,708,837
Restricted for Capital Outlay	72,695
Restricted for Net OPEB Asset	345,481
Restricted for Unclaimed Monies	6,640
Restricted for Other Purposes	1,093,096
Unrestricted (Deficit)	(11,807,421)
<i>Total Net Position</i>	\$6,419,328

The notes to the basic financial statements are an integral part of this statement

**Fairland Local School District**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2024

		Program Revenues			Net (Expense)
		Charges for	Operating Grants	Capital Grants	Revenue and
	Expenses	Services and Sales	and Contributions	and Contributions	Changes in
					Net Position
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$7,487,378	\$72,001	\$796,917	\$0	(\$6,618,460)
Special	2,341,976	0	1,383,524	0	(958,452)
Vocational	85,030	0	286	0	(84,744)
Student Intervention Services	2,706	0	2,706	0	0
Other	36,645	0	0	0	(36,645)
Support Services:					
Pupils	802,801	160	346,404	0	(456,237)
Instructional Staff	440,446	14,742	12,520	0	(413,184)
Board of Education	137,130	0	0	0	(137,130)
Administration	1,293,532	20,124	2,122	0	(1,271,286)
Fiscal	440,168	0	0	0	(440,168)
Business	5,251	0	0	0	(5,251)
Operation and Maintenance of Plant	2,362,006	0	870,401	2,368	(1,489,237)
Pupil Transportation	717,628	0	0	0	(717,628)
Central	20,540	0	0	0	(20,540)
Operation of Non-Instructional Services	781,724	230,636	388,633	0	(162,455)
Extracurricular Activities	549,287	271,380	43,575	0	(234,332)
<b>Total Governmental Activities</b>	<b>\$17,504,248</b>	<b>\$609,043</b>	<b>\$3,847,088</b>	<b>\$2,368</b>	<b>(13,045,749)</b>
<b>General Revenues:</b>					
Property Taxes Levied for:					
General Purposes					4,771,979
Grants and Entitlements not					
Restricted for Specific Programs					8,205,367
Gain on Sale of Assets					3,000
Insurance Recoveries					131,485
Investment Earnings					183,734
Miscellaneous					86,635
<b>Total General Revenues</b>					<b>13,382,200</b>
Extraordinary Items					740,670
<b>Change in Net Position</b>					<b>1,077,121</b>
<b>Net Position Beginning of Year</b>					<b>5,342,207</b>
<b>Net Position End of Year</b>					<b>\$6,419,328</b>

The notes to the basic financial statements are an integral part of this statement



**Fairland Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*As of June 30, 2024*

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,965,087	\$72,695	\$1,145,200	\$5,182,982
Cash and Cash Equivalents in Segregated Accounts	0	0	2,300	2,300
Accrued Interest Receivable	8,882	0	0	8,882
Intergovernmental Receivable	31,874	0	139,973	171,847
Property Taxes Receivable	5,214,427	0	0	5,214,427
Insurance Proceeds Receivable	0	1,234,677	0	1,234,677
Restricted Cash and Cash Equivalents	6,640	0	0	6,640
<i>Total Assets</i>	<u>\$9,226,910</u>	<u>\$1,307,372</u>	<u>\$1,287,473</u>	<u>\$11,821,755</u>
<b>Liabilities:</b>				
Accounts Payable	\$177,407	\$0	\$6,055	\$183,462
Accrued Wages and Benefits Payable	1,322,247	0	171,548	1,493,795
Contracts Payable	0	1,234,677	41,336	1,276,013
Intergovernmental Payable	192,036	0	16,774	208,810
Matured Compensated Absences Payable	13,388	0	0	13,388
<i>Total Liabilities</i>	<u>1,705,078</u>	<u>1,234,677</u>	<u>235,713</u>	<u>3,175,468</u>
<b>Deferred Inflows of Resources:</b>				
Property Taxes not Levied to Finance Current Year Operations	4,739,097	0	0	4,739,097
Unavailable Revenue	216,747	394,242	86,068	697,057
<i>Deferred Inflows of Resources</i>	<u>4,955,844</u>	<u>394,242</u>	<u>86,068</u>	<u>5,436,154</u>
<b>Fund Balances:</b>				
Nonspendable	6,640	0	0	6,640
Restricted	0	0	1,050,934	1,050,934
Committed	409,730	0	0	409,730
Assigned	110,854	0	0	110,854
Unassigned (Deficit)	2,038,764	(321,547)	(85,242)	1,631,975
<i>Total Fund Balances</i>	<u>2,565,988</u>	<u>(321,547)</u>	<u>965,692</u>	<u>3,210,133</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$9,226,910</u>	<u>\$1,307,372</u>	<u>\$1,287,473</u>	<u>\$11,821,755</u>

The notes to the basic financial statements are an integral part of this statement.

**Fairland Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
As of June 30, 2024*

<b>Total Governmental Fund Balances</b>	<b>\$3,210,133</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,750,173
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Intergovernmental	86,068	
Insurance Proceeds	394,242	
Taxes	216,747	
Total	697,057	697,057

Vacation benefits payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.	(97,217)
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The net pension and OPEB liabilities (assets) are not due and payable (receivable) in the current period. Therefore, the liabilities (assets) and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	2,796,614	
Deferred Outflows-OPEB	473,806	
Deferred Inflows-Pension	(1,851,249)	
Deferred Inflows-OPEB	(1,674,353)	
Net Pension Liability	(13,241,767)	
Net OPEB Asset	965,858	
Net OPEB Liability	(781,395)	
Total	(13,312,486)	(13,312,486)

Long-term liabilities, including the long-term portion of sick leave benefits payable, are not due and payable in the current period and therefore are not reported in the funds.

Sick Leave Benefits Payable	(828,332)	
Total	(828,332)	(828,332)

<b>Net Position of Governmental Activities</b>	<b><u><u>\$6,419,328</u></u></b>
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The notes to the basic financial statements are an integral part of this statement

**Fairland Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2024*

	General Fund	Permanent Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$4,765,313	\$0	\$0	\$4,765,313
Intergovernmental	9,474,869	0	2,535,249	12,010,118
Interest	183,734	0	6,411	190,145
Tuition and Fees	43,094	0	0	43,094
Extracurricular Activities	69,204	0	266,109	335,313
Gifts and Donations	7,296	2,368	43,119	52,783
Customer Sales and Services	0	0	230,636	230,636
Miscellaneous	86,035	0	600	86,635
<i>Total Revenues</i>	<i>14,629,545</i>	<i>2,368</i>	<i>3,082,124</i>	<i>17,714,037</i>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	5,962,037	0	797,839	6,759,876
Special	2,041,249	0	387,151	2,428,400
Vocational	87,670	0	0	87,670
Student Intervention Services	0	0	2,706	2,706
Other	38,894	0	0	38,894
Support Services:				
Pupils	662,839	0	163,238	826,077
Instructional Staff	421,843	0	11,150	432,993
Board of Education	137,657	0	0	137,657
Administration	1,341,437	0	1,267	1,342,704
Fiscal	446,291	0	0	446,291
Business	3,151	0	0	3,151
Operation and Maintenance of Plant	1,982,713	25,711	287,036	2,295,460
Pupil Transportation	655,650	0	0	655,650
Central	20,080	0	0	20,080
Operation of Non-Instructional Services	95,319	0	695,024	790,343
Extracurricular Activities	242,834	0	311,033	553,867
Capital Outlay	366,765	1,697,419	796,336	2,860,520
<i>Total Expenditures</i>	<i>14,506,429</i>	<i>1,723,130</i>	<i>3,452,780</i>	<i>19,682,339</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>123,116</i>	<i>(1,720,762)</i>	<i>(370,656)</i>	<i>(1,968,302)</i>
<b>Other Financing Sources:</b>				
Proceeds from Sale of Assets	3,000	0	0	3,000
Insurance Recoveries	131,485	0	0	131,485
<i>Total Other Financing Sources</i>	<i>134,485</i>	<i>0</i>	<i>0</i>	<i>134,485</i>
Extraordinary Items	0	1,276,435	0	1,276,435
<i>Net Change in Fund Balances</i>	<i>257,601</i>	<i>(444,327)</i>	<i>(370,656)</i>	<i>(557,382)</i>
<i>Fund Balances at Beginning of Year as Previously Reported</i>	<i>2,308,387</i>	<i>0</i>	<i>1,459,128</i>	<i>3,767,515</i>
<i>Adjustments for Change in Major Funds</i>	<i>0</i>	<i>122,780</i>	<i>(122,780)</i>	<i>0</i>
<i>Fund Balances at End of Year</i>	<i>\$2,565,988</i>	<i>(\$321,547)</i>	<i>\$965,692</i>	<i>\$3,210,133</i>

The notes to the basic financial statements are an integral part of this statement.

**Fairland Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2024*

**Net Change in Fund Balances - Total Governmental Funds** (\$557,382)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions and depreciation in the current period.

Capital Asset Additions	2,860,520	
Current Year Depreciation	(1,108,851)	
Total	1,751,669	1,751,669

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (97,128)

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

Intergovernmental	(14,489)	
Insurance Proceeds	(535,765)	
Taxes	6,666	
Total	(543,588)	(543,588)

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.

Pension	1,193,815	
OPEB	33,564	
Total	1,227,379	1,227,379

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (assets) are reported as pension/OPEB expense (gain) in the statement of activities.

Pension	(828,148)	
OPEB	175,443	
Total	(652,705)	(652,705)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Vacation Leave Benefits Payable	(28,662)	
Sick Leave Benefits Payable	(22,462)	
Total	(51,124)	(51,124)

**Net Change in Net Position of Governmental Activities** \$1,077,121

The notes to the basic financial statements are an integral part of this statement

**Fairland Local School District**  
*Statement of Revenues, Expenditures and Change*  
*in Fund Balance - Budget and Actual (Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2024*

	Budgeted Amounts			Variance with Final Budget: Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$5,029,447	\$5,029,447	\$4,797,680	(\$231,767)
Intergovernmental	9,262,193	9,462,193	9,476,428	14,235
Interest	90,150	190,150	183,669	(6,481)
Tuition and Fees	4,783	4,783	11,759	6,976
Miscellaneous	113,427	113,427	96,059	(17,368)
<i>Total Revenues</i>	<u>14,500,000</u>	<u>14,800,000</u>	<u>14,565,595</u>	<u>(234,405)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,019,235	7,007,741	5,945,175	1,062,566
Special	1,750,898	1,850,898	1,999,128	(148,230)
Vocational	84,826	84,826	86,579	(1,753)
Student Intervention Services	2,398	2,398	0	2,398
Other	40,719	40,719	37,938	2,781
Support Services:				
Pupils	577,365	577,365	649,473	(72,108)
Instructional Staff	342,942	342,942	369,229	(26,287)
Board of Education	125,480	125,480	142,281	(16,801)
Administration	1,201,392	1,201,392	1,271,747	(70,355)
Fiscal	421,451	421,451	444,406	(22,955)
Business	2,850	2,850	3,151	(301)
Operation and Maintenance of Plant	1,827,503	1,611,816	1,991,910	(380,094)
Pupil Transportation	901,643	1,169,157	902,611	266,546
Central	20,167	20,167	20,080	87
Operation of Non-Instructional Services	86,191	79,093	94,039	(14,946)
Extracurricular Activities	318,144	318,144	250,219	67,925
Capital Outlay	0	366,765	366,765	0
<i>Total Expenditures</i>	<u>14,723,204</u>	<u>15,223,204</u>	<u>14,574,731</u>	<u>648,473</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(223,204)</u>	<u>(423,204)</u>	<u>(9,136)</u>	<u>414,068</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	0	0	4,864	4,864
Proceeds from Sale of Assets	0	0	3,000	3,000
Insurance Recoveries	0	200,000	131,485	(68,515)
Transfers Out	(125,000)	(125,000)	(69,636)	55,364
<i>Total Other Financing Sources (Uses)</i>	<u>(125,000)</u>	<u>75,000</u>	<u>69,713</u>	<u>(5,287)</u>
<i>Net Change in Fund Balance</i>	<u>(348,204)</u>	<u>(348,204)</u>	<u>60,577</u>	<u>408,781</u>
<i>Fund Balance at Beginning of Year</i>	<u>3,008,659</u>	<u>3,008,659</u>	<u>3,008,659</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>348,202</u>	<u>348,202</u>	<u>348,202</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$3,008,657</u></u>	<u><u>\$3,008,657</u></u>	<u><u>\$3,417,438</u></u>	<u><u>\$408,781</u></u>

The notes to the basic financial statements are an integral part of this statement.

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**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 1 - Description of the School District and Reporting Entity**

Fairland Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected, five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 55 classified employees, 91 certificated full time teaching personnel and 10 administrators who provide services to 1,554 students.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the 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 for the organization. The School District has no component units.

The School District is associated with four organizations, one of which is defined as a jointly governed organization, one as a shared risk pool, and two as insurance purchasing pools. The jointly governed organization is the META Solutions, the shared risk pool is the Lawrence County Schools Council of Governments Health Benefits Program, and the insurance purchasing pools are the Ohio School Plan and the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP). These organizations are presented in Notes 15 and 16 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Basis of Presentation**

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

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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*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. The statements ordinarily distinguish between activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

*Fund Financial Statements*

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The School District's funds are all categorized as governmental.

*Governmental Funds*

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

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

*Permanent Improvement Fund* - The permanent improvement fund is a fund provided to account for all transactions related to the acquiring, constructing, or improving of permanent improvements.

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



**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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Measurement Focus

*Government-wide Financial Statements*

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

*Fund Financial Statements*

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

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. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and net pension liability, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-Exchange Transactions*

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

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

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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at fiscal year end: property taxes available as an advance, investment earnings, tuition and fees, and certain grants.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are further explained in Notes 11 and 12.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2024, but which were levied to finance fiscal year 2025 operations have been recorded as deferred inflows of resources on the statement of net position and on the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2024. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are further explained in Notes 11 and 12.

*Pensions/OPEB*

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

*Expenses/Expenditures*

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

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

Cash and Cash Equivalents

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 the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2024, investments were limited to overnight repurchase agreements and nonnegotiable certificates of deposit. These nonparticipating investment contracts and certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2024 amounted to \$183,734.

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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Investments of the cash management pool and investments with original maturities 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 not purchased from the pool are reported as investments. The certificates of deposit are presented on the financial statements as cash equivalents.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District's capitalization threshold is \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year of service with the School District. The liability for vacation benefits is recorded as "accrued vacation benefits payable".

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 classified and certified employees after fifteen years of current service with the School District. The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as 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 will be paid.

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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Accrued Liabilities and Long-Term Obligations

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The School District did not report any interfund transfers for the fiscal year.

Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position. The School District did not have any interfund receivables/payables to report as of June 30, 2024.

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 fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* - The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed

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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 the use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

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

#### Net Position

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

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

#### Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. In fiscal year 2024, the School District received insurance proceeds to cover damage caused by a tornado that hit the Fairland West Elementary School building. \$1,276,435 was reported as an extraordinary item on the fund financial statements and \$740,670 was reported on the government-wide financial statements; the difference between these two amounts is an impairment loss of \$930,007 netted against the extraordinary items reported in the governmental activities and unavailable revenues of \$394,242 reported on the fund financial statements and as an extraordinary item on the government-wide financial statements.

#### 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.

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**Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

**Note 3 - Accountability**

At June 30, 2024, the Permanent Improvement major capital projects fund and the IDEA-B, Title I, and Title II-A nonmajor special revenue funds had deficit fund balances of \$321,547, \$35,807, \$43,403 and \$6,032, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) 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 a restriction, commitment, or assignment of fund balance (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, Unclaimed Monies, Insurance Contingency, and Termination Benefits Funds.

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$257,601
Adjustments:	
Revenue Accruals	49,633
Expenditure Accruals	(211,065)
Encumbrances	(30,402)
Perspective Differences	<u>(5,190)</u>
Budget Basis	<u>\$60,577</u>

**Note 5 - Deposits and Investments**

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

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

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

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

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 a surety bond issued by the School District's financial institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political

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- 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) of this section 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 (STAROhio);
  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. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available at the time of purchase.

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. An investment must mature within five years from the date of purchase, 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 of, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2024, \$1,699,834 of the School District's total bank balance of \$5,283,247 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

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

*Investments* – The School District's investments are reported at fair value. As of June 30, 2024, the School District had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$3,083,413	1 day

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 table identifies the School District's recurring fair value measurements as of June 30, 2024. All investments of the School District are valued



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using quoted market prices (Level 1 inputs).

Interest Rate Risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the settlement date and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is that securities must be marked to market daily. To date, no investments have been purchased with a life greater than one day.

Custodial Credit Risk – For an investment, custodial credit risk is risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the School District’s investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the School District.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2024:

	Fair Value	% of Total
Repurchase Agreements	\$3,083,413	100%

**Note 6 – 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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2024 represents collections of calendar year 2023 taxes. Real property taxes received in calendar year 2024 were levied after April 1, 2023, on the assessed value listed as of January 1, 2023, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2024 represents collections of calendar year 2023 taxes. Public utility real and tangible personal property taxes received in calendar year 2024 became a lien December 31, 2022, were levied after April 1, 2023, and are collected in calendar year 2024 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County and Gallia County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2024, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2024 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied

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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 - property taxes.

The amounts available as an advance at June 30, 2024 were \$258,583 in the General Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2024 taxes were collected are:

	2023 Second-Half Collections		2024 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$259,087,340	96%	\$260,592,190	96%
Public Utility	11,004,710	4%	11,851,770	4%
Total Assessed Value	\$270,092,050	100%	\$272,443,960	100%
Tax Rate per \$1,000 of Assessed Valuation	\$20.00		\$20.00	

**Note 7 - Receivables**

Receivables at June 30, 2024 consisted of accrued interest, property taxes and intergovernmental receivables. 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 are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<i>Major Fund:</i>	
General	\$31,874
<i>Nonmajor Funds:</i>	
IDEA B	51,121
Title I	77,175
Improving Teacher Quality	11,677
Total Nonmajor Funds	139,973
Total All Funds	<u>\$171,847</u>

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**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	Ending Balance 6/30/23	Additions	Deletions	Ending Balance 6/30/24
<i>Governmental Activities</i>				
Capital Assets Not Being Depreciated				
Land	\$445,337	\$0	\$0	\$445,337
Construction in Progress	1,478,258	1,670,677	(1,478,258)	1,670,677
Total Capital Assets Not Being Depreciated	1,923,595	1,670,677	(1,478,258)	2,116,014
Capital Assets Being Depreciated				
Buildings and Improvements	42,260,774	2,199,301	(2,464,612)	41,995,463
Furniture and Equipment	4,602,726	468,800	0	5,071,526
Vehicles	1,784,536	0	(147,623)	1,636,913
Total Capital Assets Being Depreciated	48,648,036	2,668,101	(2,612,235)	48,703,902
Less Accumulated Depreciation				
Buildings and Improvements	(29,969,398)	(873,132)	1,437,477	(29,405,053)
Furniture and Equipment	(3,320,108)	(152,602)	0	(3,472,710)
Vehicles	(1,256,486)	(83,117)	147,623	(1,191,980)
Total Accumulated Depreciation	(34,545,992)	(1,108,851)	1,585,100	(34,069,743)
Total Capital Assets Being Depreciated, Net	14,102,044	1,599,250	(1,027,135)	14,634,159
Governmental Activities Capital Assets, Net	\$16,025,639	\$3,229,927	(\$2,505,393)	\$16,750,173

The School District's capital assets reported above include \$17,642,353 in fully depreciated assets that are still being utilized by the School District.

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$893,330
Vocational	434
<i>Support Services:</i>	
Instructional Staff	8,406
Business	2,100
Operation and Maintenance of Plant	100,535
Pupil Transportation	89,947
Central	460
Operation of Non-Instructional Services	5,169
Extracurricular Activities	8,470
Total Depreciation Expense	<u>\$1,108,851</u>

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**Note 9 - Risk Management**

**Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2024, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool for property, fleet, and liability insurance. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 16).

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$84,007,522
Automobile Liability:	
Liability	2,000,000
Medical Payments	5,000
Uninsured Motorists	1,000,000

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$2,000,000
Aggregate Limit	4,000,000
Products – Completed Operations Aggregate Limit	2,000,000
Fire Damage Limit	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Bodily Injury By Accident – Each Accident	2,000,000
Bodily Injury By Disease	2,000,000
Bodily Injury By Disease – Each Employee	2,000,000
Employee Benefits Liability:	
Employee Benefits Injury – Each Offense Limit	2,000,000
Employee Benefits Injury Aggregate Limit	4,000,000
Educational Legal Liability:	
Each Occurrence	2,000,000
Aggregate Limit	4,000,000

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

For fiscal year 2024, the School District participated in the Ohio SchoolComp Group Rating Plan (GRP), an insurance purchasing pool (see Note 16). The firm of Sedgwick provided administrative, cost control and actuarial services to the GRP for this 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 participating school districts is calculated as one experience and a common

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premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Note 16) to provide employee medical and dental benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating school districts. The School District pays 85% of the premium for certified employees who were hired prior to September 1, 2015 and classified employees who are not members of the non-teaching bargaining unit. The School District pays 80% of the premium for certified employees hired on or after September 1, 2015. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014. See Note 10 regarding employee dental contributions.

Claims are paid for all participants regardless of claims flow. Upon withdrawal from the program, no further contribution will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the School District after the distribution will be exclusively the liability of the School District.

#### **Note 10 - Employee Benefits**

##### **Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time.

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 325 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 75 days.

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 300 days. Upon retirement, payment is made for thirty percent of the total sick leave accumulation, up to a maximum of 75 days.

##### **Life Insurance and Dental and Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees through The Guardian Life Insurance Company of America. The coverage amount is \$40,000 for certified and classified employees.

Dental coverage was provided solely through The Guardian Life Insurance Company of America until May 1, 2022 when dental benefits became a part of the Lawrence County Schools Council of Governments Health Benefits

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Program. Premiums for this coverage are \$65.98 monthly for family and \$14.56 monthly for single coverage. Of the \$65.98 monthly premium for family coverage and of the \$14.56 monthly premium for single coverage, an administration fee of \$7.12 per month per employee is paid to The Guardian Life Insurance Company of American and the remainder of the premium is paid to the Lawrence County Schools Council of Governments. Certified employees contribute \$7 for family coverage and \$2 for single coverage. Classified employees contribute \$4 for family coverage and \$2 for single coverage.

Health insurance is provided by the Lawrence County Schools Council of Governments Health Benefits Program (see Note 16). Premiums for this coverage are \$2,578 for family coverage and \$1,044 for single coverage. The School District pays 85% of the premium for certified employees who were hired prior to September 1, 2015 and classified employees who are not members of the non-teaching bargaining unit. The School District pays 80% of the premium for certified employees hired on or after September 1, 2015. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014.

Vision insurance is provided through The Guardian Life Insurance Company of America. The School District pays 100% of the \$9.05 monthly premium for each employee. Employees may contribute \$10.41 per month to purchase family coverage if they so desire.

**Note 11 – 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/OPEB liability (asset) reported on the statement of net position represents a liability to (asset for) employees for pensions/OPEB. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pension/OPEB is a present obligation because it was created as a result of employment exchanges that already have 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 these estimates 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 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to

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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 long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See note 12 for the required OPEB disclosures.

### **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. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. 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. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

**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, 2024, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

**Fairland Local School District**  
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The School District's contractually required contributions to SERS were \$268,875 for fiscal year 2024. Of this amount, \$0 was reported as an intergovernmental payable.

**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 stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Effective July 1, 2022, a one-time ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a one-time ad-hoc COLA of 1 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019. Pursuant to Ohio Revised Code 3307.67(E), the STRS Ohio Retirement Board may adjust the COLA upon a determination by the board's actuary that a change will not materially impair the fiscal integrity of the system or is necessary to preserve the fiscal integrity of the system. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 34 years of service credit at any age.

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

The DC Plan allows members to place all their member contributions and 11.09 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 2.91 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on



**Fairland Local School District**  
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the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2024 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2024, the full employer contribution was allocated to pension.

The School District's contractually required contributions to STRS were \$924,940 for fiscal year 2024. Of this amount, \$153,528 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2023 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			
Current Measurement Date	0.04609670%	0.049662030%	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04996090%	0.053582180%	
Change in Proportionate Share	<u>-0.00386420%</u>	<u>-0.003920150%</u>	
Proportionate Share of the Net			
Pension Liability	\$2,547,080	\$10,694,687	\$13,241,767
Pension Expense	\$182,668	\$645,480	\$828,148

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**Fairland Local School District**  
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At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$109,479	\$389,907	\$499,386
Changes of assumptions	18,044	880,766	898,810
Changes in proportion and differences between School District contributions and proportionate share of contributions	0	204,603	204,603
School District contributions subsequent to the measurement date	268,875	924,940	1,193,815
Total Deferred Outflows of Resources	<u>\$396,398</u>	<u>\$2,400,216</u>	<u>\$2,796,614</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$0	\$23,730	\$23,730
Changes of assumptions	0	662,962	662,962
Net difference between projected and actual earnings on pension plan investments	35,801	32,054	67,855
Changes in proportion and differences between School District contributions and proportionate share of contributions	179,584	917,118	1,096,702
Total Deferred Inflows of Resources	<u>\$215,385</u>	<u>\$1,635,864</u>	<u>\$1,851,249</u>

\$1,193,815 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense (gain) as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2025	(\$64,849)	(\$348,687)	(\$413,536)
2026	(151,216)	(462,201)	(613,417)
2027	126,304	884,964	1,011,268
2028	1,899	(234,664)	(232,765)
Total	<u>(\$87,862)</u>	<u>(\$160,588)</u>	<u>(\$248,450)</u>

**Actuarial Assumptions – SERS**

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

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*Notes to the Basic Financial Statements*  
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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. Future benefits for all current plan members were projected through 2137.

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, 2023, are presented below:

Inflation	2.4 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.00 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Estate/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

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**Discount Rate** The total pension liability for 2023 was calculated using the discount rate of 7.00 percent. The discount rate determination did not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 21-year amortization period of the unfunded actuarial accrued liability. The actuarially determined contribution rate for fiscal year 2023 was 14 percent. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability. The annual money weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2023 was 6.90 percent.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$3,759,360	\$2,547,080	\$1,525,965

#### **Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2023 actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	From 2.50 percent to 8.50 percent based on service
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent, effective July 1, 2017

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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:

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<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Rate of Return**</u>
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

\*Final target weights reflected at October 1, 2022.

\*\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$16,446,062	\$10,694,687	\$5,830,598

**Note 12 – Defined Benefit OPEB Plans**

See note 11 for a description of the net OPEB liability (asset).

**School Employees Retirement System (SERS)**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides 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 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and

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beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

The health care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the health care fund on a pay-as-you-go basis.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2024, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2024, the School District's surcharge obligation was \$33,564.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS for health care was \$33,564 for fiscal year 2024. Of this amount, \$33,564 was 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 Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 2023, 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 (gain):

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.04743070%	0.049662030%	
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	<u>0.05120220%</u>	<u>0.053582180%</u>	
Change in Proportionate Share	<u>-0.00377150%</u>	<u>-0.003920150%</u>	
Proportionate Share of the Net OPEB Liability	\$781,395	\$0	\$781,395
Proportionate Share of the Net OPEB Asset	\$0	(\$965,858)	(\$965,858)
OPEB Expense (Gain)	(\$130,481)	(\$44,962)	(\$175,443)

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$1,628	\$1,506	\$3,134
Changes of assumptions	264,213	142,285	406,498
Net difference between projected and actual earnings on pension plan investments	6,056	1,725	7,781
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	22,829	22,829
School District contributions subsequent to the measurement date	<u>33,564</u>	<u>0</u>	<u>33,564</u>
Total Deferred Outflows of Resources	<u>\$305,461</u>	<u>\$168,345</u>	<u>\$473,806</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$402,995	\$147,317	\$550,312
Changes of assumptions	221,924	637,258	859,182
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>260,712</u>	<u>4,147</u>	<u>264,859</u>
Total Deferred Inflows of Resources	<u>\$885,631</u>	<u>\$788,722</u>	<u>\$1,674,353</u>

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\$33,564 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (gain) as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2025	(\$195,173)	(\$278,066)	(\$473,239)
2026	(164,446)	(128,263)	(292,709)
2027	(97,833)	(47,981)	(145,814)
2028	(59,819)	(64,889)	(124,708)
2029	(47,626)	(59,185)	(106,811)
Thereafter	<u>(48,837)</u>	<u>(41,993)</u>	<u>(90,830)</u>
Total	<u>(\$613,734)</u>	<u>(\$620,377)</u>	<u>(\$1,234,111)</u>

**Actuarial Assumptions – SERS**

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

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

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

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Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2023, are presented below:

Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Fiduciary Net Position is Projected to be Depleted	2048
Municipal Bond Index Rate:	
Measurement Date	3.86 percent
Prior Measurement Date	3.69 percent
Single Equivalent Interest Rate:	
Measurement Date	4.27 percent
Prior Measurement Date	4.08 percent
Health Care Cost Trend Rate	
Medical Trend Assumption:	
Measurement Date	6.75 percent to 4.40 percent
Prior Measurement Date	7.00 percent to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table. Mortality rates are projected using a fully generational projection with Scale MP-2020.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020 and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The 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.

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. As of June 30, 2023:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	2.00%	0.75%
US Equity	24.75%	4.82%
Non-US Equity Developed	13.50%	5.19%
Non-US Equity Emerging	6.75%	5.98%
Fixed Income/Global Bonds	19.00%	2.24%
Private Equity	12.00%	7.49%
Real Assets/Real Assets	17.00%	3.70%
Private Debt/Private Credit	5.00%	5.64%
Total	<u>100.00%</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2023, was 4.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2023, was 4.08 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2048 by SERS' actuaries. The Fidelity General Obligation 20-year Municipal Bond Index Rate was used in the determination of the single equivalent interest rate for both the June 30, 2022, and the June 30, 2023, total OPEB liability. The Municipal Bond Index Rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate was 3.86 percent at June 30, 2023, and 3.69 percent at June 30, 2022.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.27%) and higher (5.27%) than the current discount rate (4.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (3.27%)	Current Discount Rate (4.27%)	1% Increase (5.27%)
School District's proportionate share of the net OPEB liability	\$998,846	\$781,395	\$609,926
	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$574,064	\$781,395	\$1,056,137

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the June 30, 2023 actuarial valuation compared to the prior year are presented below:

	June 30, 2023	June 30, 2022
Projected Salary Increases	Varies by service from 2.50 percent to 8.50 percent	Varies by service from 2.50 percent to 8.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent	3.00 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends:		
Medical:		
Pre-Medicare	7.50 percent initial, 4.14 percent ultimate	7.50 percent initial, 3.94 percent ultimate
Medicare	-10.94 percent initial, 4.14 percent ultimate	-68.78 percent initial, 3.94 percent ultimate
Prescription Drug:		
Pre-Medicare	-11.95 percent initial, 4.14 percent ultimate	9.00 percent initial, 3.94 percent ultimate
Medicare	1.33 percent initial, 4.14 percent ultimate	-5.47 percent initial, 3.94 percent ultimate

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

Healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2023, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis. 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	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

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\*Final target weights reflected at October 1, 2022.

\*\*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and is net of investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2023. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2023.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2023, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$817,472)	(\$965,858)	(\$1,095,086)

  

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,101,083)	(\$965,858)	(\$802,982)

**Note 13 - Long Term Obligations**

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

	Amount Outstanding 6/30/23	Additions	Deductions	Amount Outstanding 6/30/24	Due Within One Year
<i>Governmental Activities</i>					
Sick Leave Benefits Payable	\$805,870	\$196,949	(\$174,487)	\$828,332	\$63,161
Net Pension Liability	14,613,660	0	(1,371,893)	13,241,767	0
Net OPEB Liability	701,456	79,939	0	781,395	0
Total Governmental Activities					
Long-Term Obligations	\$16,120,986	\$276,888	(\$1,546,380)	\$14,851,494	\$63,161

Sick leave benefits payable will be paid from the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The overall debt margin of the School District as of June 30, 2024 was \$24,519,956 with an unvoted debt margin of \$272,444.

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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The School District has a commercial guarantee relating to its automated clearing house credits agreement which is used by the School District for processing payroll direct deposit transactions.

**Note 14 - Interfund Activity and Balances**

Transfers

The School District reports no interfund transfers for fiscal year 2024.

Interfund Balances

The School District reports no interfund receivables nor payables as of June 30, 2024.

**Note 15 - Jointly Governed Organization**

META Solutions is an educational solutions partner providing services across Ohio. META Solutions provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META Solutions consists of a president, vice president and six board members who represent the members of META Solutions. The board works with META Solutions' Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META Solutions \$146,483 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

**Note 16 - Public Entity Risk Pools**

Insurance Purchasing Pools

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

Shared Risk Pool

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2024

(Council) which is a shared risk pool created pursuant to State statute for the purpose of administering health care and dental benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each school district reserves the right to withdraw from the plan. If this is done, no further contribution will be made and the School District will be distributed their net pooled share and all claims submitted by covered members of the School District after the distribution will be exclusively the liability of the School District.

**Note 17 – Fund Balances**

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 the governmental funds. The constraints placed on the fund balance for the major governmental fund and all other governmental funds are presented below.

<b>Fund Balances</b>	<b>General</b>	<b>Permanent Improvement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<i>Nonspendable</i>				
Unclaimed Monies	\$6,640	\$0	\$0	\$6,640
<i>Restricted for</i>				
Food Service	0	0	210,740	14,253
Scholarships	0	0	218	218
Capital Maintenance	0	0	482,989	23,713
Student Activities	0	0	36,459	64,590
District Managed Activities	0	0	9,165	123,038
State Grants	0	0	85,028	85,028
Federal Grants	0	0	226,335	226,335
Total	0	0	1,050,934	1,050,934
<i>Committed for</i>				
Insurance Contingencies	165,458	0	0	165,458
Severance Payments	244,272	0	0	244,272
Total	409,730	0	0	409,730
<i>Assigned for</i>				
Purchases on Order	16,913	0	0	16,913
Public School Support	93,941	0	0	93,941
Total	110,854	0	0	110,854
<i>Unassigned (Deficit)</i>	2,038,764	(321,547)	(85,242)	1,631,975
<i>Total</i>	<u>\$2,565,988</u>	<u>(\$321,547)</u>	<u>\$965,692</u>	<u>\$3,210,133</u>

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 18 - Set-Aside Calculations and Fund Balance Restrictions**

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish set-aside balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget stabilization set-aside. During fiscal year 2004, the Board of Education approved maintaining the budget stabilization funds in the budget stabilization set-aside pursuant to State Statute and at June 30, 2024, this continues to be set aside.

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

	Budget Stabilization	Capital Improvements
Set-Aside Balance as of June 30, 2023	\$43,460	\$0
Current Fiscal Year Set-Aside Requirement	0	308,147
Current Fiscal Year Qualifying Expenditures	0	(308,147)
Set-Aside Balance as of June 30, 2024	<u>\$43,460</u>	<u>\$0</u>
Required Set-Aside Balance Carried Forward to Fiscal Year 2025	<u>\$43,460</u>	<u>\$0</u>

**Note 19 - Significant Commitments**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<i>Major Funds:</i>	
General	\$30,402
Permanent Improvement	5,103
 <i>Nonmajor Funds:</i>	
Student Activities	\$2,716
District Managed Activities	1,445
Drug Free Grant	3,496
Miscellaneous Federal Grants	<u>147,295</u>
Total Nonmajor Funds	<u>154,952</u>
Total All Funds	<u>\$190,457</u>

**Fairland Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2024*

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**Note 20 - Contingencies**

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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, 2024.

Litigation

The School District is currently a party to legal proceeding.

State Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Adjustments for fiscal year 2024 have been finalized. A payable of \$952 has been reported in the accompanying financial statements as a result of these adjustments.

Other

On July 15, 2024, the Board approved a resolution to proceed with election on the question to levy an additional tax (the "Emergency Levy") in excess of the ten-mill limitation to raise the amount of \$1,200,000 for each tax year that the levy would be in effect, for 10 years. The tax levy failed on November 5, 2024. As a result, without increases from other funding sources, the School District anticipates experiencing deficit spending in future fiscal years.

**Note 21 – New Accounting Pronouncement**

For fiscal year 2024, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 100, "Accounting Changes and Error Corrections".

GASB Statement No. 100, "Accounting Changes and Error Corrections", prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. Statement 100 also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information.

For fiscal year 2024, the permanent improvement fund presentation was changed from nonmajor to major. The ESSER fund was changed from major to nonmajor, but it did not have a beginning fund balance to adjust.



**Fairland Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Ten Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>State Teachers Retirement System</i>										
School District's proportion of the net pension liability	0.060724890%	0.058226000%	0.055999970%	0.054444670%	0.054984070%	0.055248940%	0.051729280%	0.051289095%	0.053582180%	0.049662030%
School District's proportionate share of the net pension liability	\$14,770,395	\$16,091,964	\$18,744,878	\$12,933,448	\$12,089,762	\$12,217,971	\$12,516,645	\$6,557,772	\$11,911,386	\$10,694,687
School District's covered payroll	\$6,749,092	\$6,099,836	\$6,047,657	\$5,885,029	\$6,307,014	\$6,506,286	\$6,186,043	\$6,291,857	\$7,052,164	\$6,459,421
School District's proportionate share of the net pension liability as a percentage of its covered payroll	218.9%	263.8%	310.0%	219.8%	191.7%	187.8%	202.3%	104.2%	168.9%	165.6%
Plan fiduciary net position as a percentage of the total pension liability	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%	87.8%	78.9%	80.0%
<i>School Employees Retirement System</i>										
School District's proportion of the net pension liability	0.06318000%	0.06217360%	0.06339690%	0.06032890%	0.06034240%	0.05524310%	0.04923200%	0.05143670%	0.04996090%	0.04609670%
School District's proportionate share of the net pension liability	\$3,197,504	\$3,547,686	\$4,640,068	\$3,604,519	\$3,455,921	\$3,305,292	\$3,256,308	\$1,897,865	\$2,702,274	\$2,547,080
School District's covered payroll	\$1,727,893	\$1,871,753	\$1,968,871	\$2,224,286	\$1,875,178	\$1,905,319	\$1,685,814	\$1,675,221	\$1,816,786	\$1,843,571
School District's proportionate share of the net pension liability as a percentage of its covered payroll	185.1%	189.5%	235.7%	162.1%	184.3%	173.5%	193.2%	113.3%	148.7%	138.2%
Plan fiduciary net position as a percentage of the total pension liability	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%	82.9%	75.8%	76.1%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.  
See accompanying notes to the required supplementary information.

**Fairland Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*Last Eight Fiscal Years*

	2017	2018	2019	2020	2021	2022	2023	2024
<i>State Teachers Retirement System</i>								
School District's proportion of the net OPEB liability (asset)	0.055999970%	0.054444670%	0.054984070%	0.055248940%	0.051729280%	0.051289095%	0.053582180%	0.049662030%
School District's proportionate share of the net OPEB liability (asset)	\$2,911,715	\$2,124,230	(\$883,538)	(\$915,055)	(\$909,141)	(\$1,081,389)	(\$1,387,421)	(\$965,858)
School District's covered payroll	\$6,047,657	\$5,885,029	\$6,307,014	\$6,506,286	\$6,186,043	\$6,291,857	\$7,052,164	\$6,459,421
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	48.1%	36.1%	-14.0%	-14.1%	-14.7%	-17.2%	-19.7%	-15.0%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%	174.7%	230.7%	168.5%
<i>School Employees Retirement System</i>								
School District's proportion of the net OPEB liability	0.06339690%	0.06132230%	0.06123260%	0.05681810%	0.05138690%	0.05287700%	0.05120220%	0.04743070%
School District's proportionate share of the net OPEB liability	\$1,747,912	\$1,645,729	\$1,698,758	\$1,428,856	\$1,116,806	\$973,482	\$701,456	\$781,395
School District's covered payroll	\$1,968,871	\$2,224,286	\$1,875,178	\$1,905,319	\$1,685,814	\$1,675,221	\$1,816,786	\$1,843,571
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	88.8%	74.0%	90.6%	75.0%	66.2%	58.1%	38.6%	42.4%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%	24.1%	30.3%	30.0%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.  
Information not available prior to 2017.  
See accompanying notes to the required supplementary information.

**Fairland Local School District**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$853,977	\$846,672	\$823,904	\$882,982	\$910,880	\$866,046	\$880,860	\$987,303	\$904,319	\$924,940
Contractually required contribution - OPEB	0	0	0	0	0	0	0	0	0	0
Contractually required contribution - total	853,977	846,672	823,904	882,982	910,880	866,046	880,860	987,303	904,319	924,940
Contributions in relation to the contractually required contribution	853,977	846,672	823,904	882,982	910,880	866,046	880,860	987,303	904,319	924,940
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered payroll	\$6,099,836	\$6,047,657	\$5,885,029	\$6,307,014	\$6,506,286	\$6,186,043	\$6,291,857	\$7,052,164	\$6,459,421	\$6,606,714
Contributions as a percentage of covered payroll - pension	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$246,697	\$275,642	\$311,400	\$253,149	\$257,218	\$236,014	\$234,531	\$254,350	\$258,100	\$268,875
Contractually required contribution - OPEB (1)	15,348	0	0	9,376	9,527	0	0	0	0	0
Contractually required contribution - total	262,045	275,642	311,400	262,525	266,745	236,014	234,531	254,350	258,100	268,875
Contributions in relation to the contractually required contribution	262,045	275,642	311,400	262,525	266,745	236,014	234,531	254,350	258,100	268,875
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered payroll	\$1,871,753	\$1,968,871	\$2,224,286	\$1,875,178	\$1,905,319	\$1,685,814	\$1,675,221	\$1,816,786	\$1,843,571	\$1,920,536
Contributions as a percentage of covered payroll - pension	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered payroll - OPEB	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See accompanying notes to the required supplementary information.

**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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**State Teachers Retirement System**

**Pension**

**Changes in benefit terms**

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2024.

**Changes in assumptions**

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Inflation assumptions were lowered from 2.75 percent to 2.5 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered from 3.5 percent to 3.0 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Investment rate of return and discount rate of return assumptions were lowered from 7.45 percent to 7.0 percent.

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.
- The projected salary increases changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent.

There were no changes in assumptions for fiscal year 2024.

**OPEB**

**Changes in benefit terms**

There were no changes to benefit terms for fiscal year 2017.

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.

**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

- The subsidy multiplier for non-Medicare benefit recipients increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020, though the STRS Board voted in June 2019 to extend the current Medicare Part B partial reimbursement for one year.

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

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on 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.

For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

There were no changes to benefit terms for fiscal years 2023 and 2024.

#### Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.

**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- The assumed salary scale was modified.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
  - Medical Medicare – 5 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – 6 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – -5.23 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – 8 percent initial, 4 percent ultimate

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 5 percent to 4.93 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 6 percent to 5.87 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from -5.23 percent to 9.62 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 8 percent to 7.73 initial, 4 percent ultimate

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Medicare – from 4.93 percent to -6.69 percent initial, 4 percent ultimate
  - Medical Pre-Medicare – from 5.87 percent to 5 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 9.62 percent to 11.87 percent initial, 4 percent ultimate
  - Prescription Drug Pre-Medicare – from 7.73 percent to 6.5 initial, 4 percent ultimate

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from 7.45 percent to 7.0 percent.
- The health care trend assumption rate changed as follows:
  - Medical Medicare – from -6.69 percent initial, 4 percent ultimate to -16.18 percent initial, 4 percent ultimate
  - Prescription Drug Medicare – from 11.87 percent initial, 4 percent ultimate to 29.98 percent initial, 4 percent ultimate

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Pre-Medicare – from 5.00 percent initial, 4 percent ultimate to 7.50 percent initial, 3.94 percent ultimate
  - Medical Medicare – from -16.18 percent initial, 4 percent ultimate to -68.78 percent initial, 3.94 percent ultimate
  - Prescription Drug Pre-Medicare – from 6.50 percent initial, 4 percent ultimate to 9.00 percent initial, 3.94 percent ultimate
  - Prescription Drug Medicare – from 29.98 percent initial, 4 percent ultimate to -5.47 percent initial, 3.94 percent ultimate
- Updated the health and disability mortality assumption to the PUB-2010 mortality tables with generational improvement scale MP-2020.

**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- The projected salary increases changed from 12.50 percent at age 20 to 2.50 percent at age 65 to varying by service from 2.50 percent to 8.50 percent.

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The health care trend assumption rate changed as follows:
  - Medical Pre-Medicare – from 7.50 percent initial, 3.94 percent ultimate to 7.50 percent initial, 4.14 percent ultimate
  - Medical Medicare – from -68.78 percent initial, 3.94 percent ultimate to -10.94 percent initial, 4.14 percent ultimate
  - Prescription Drug Pre-Medicare – from 9.00 percent initial, 3.94 percent ultimate to -11.95 percent initial, 4.14 percent ultimate
  - Prescription Drug Medicare – from -5.47 percent initial, 3.94 percent ultimate to 1.33 percent initial, 4.14 percent ultimate

### **School Employees Retirement System**

#### **Pension**

##### Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017.

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5 percent with a floor of 0 percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendars 2018, 2019, and 2020.

There were no changes to benefit terms for fiscal years 2019 through 2021.

For fiscal year 2022, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.5 percent to 2.0 percent.

For fiscal year 2023, the following was the most significant change in benefit that affected the total pension liability since the prior measurement date:

- The cost-of-living adjustment was changed from 2.0 percent to 2.5 percent.

There were no changes to benefit terms for fiscal year 2024.

##### Changes in assumptions

There were no changes in assumptions for fiscal years 2015 through 2017.

For fiscal year 2018, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent

**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- Payroll Growth Assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Investment rate of return was reduced from 7.75 percent to 7.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled member was updated to the following:
  - 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.

There were no changes in assumptions for fiscal years 2019 through 2021.

For fiscal year 2022, the following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

- Assumed rate of inflation was reduced from 3.0 percent to 2.4 percent
- Payroll Growth Assumption was reduced from 3.5 percent to 3.25 percent
- Investment rate of return was reduced from 7.5 percent to 7.0 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among members was updated to the following:
  - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

There were no changes in assumptions for fiscal years 2023 and 2024.

## **OPEB**

### Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2024.

### Changes in assumptions

For fiscal year 2017, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- Assumed rate of inflation was reduced from 3.25 percent to 3.0 percent
- Payroll growth assumption was reduced from 4.0 percent to 3.5 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.5 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:



**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63 percent.
- The municipal bond index rate increased from 2.92 percent to 3.56 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98 percent to 3.63 percent.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was changed from 3.63 percent to 3.70 percent.
- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2018 – 5.50 to 5.00 percent, 2019 – 5.375 to 4.75 percent
  - Pre-Medicare – 2018 – 7.50 to 5.00 percent, 2019 – 7.25 to 4.75

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.62 percent to 3.13 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70 percent to 3.22 percent.
- The medical trend assumption rate changed as follows:
  - Medicare – 2019 – 5.375 to 4.75 percent, 2020 – 5.25 to 4.75 percent
  - Pre-Medicare – 2019 – 7.25 to 4.75, 2020 – 7 to 4.75 percent

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate decreased from 3.13 percent to 2.45 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22 percent to 2.63 percent.

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The inflation rate decreased from 3.0 percent to 2.4 percent.
- Projected salary increases decreased from 3.5 percent to 3.25 percent.
- Investment rate of return decreased from 7.5 percent to 7.0 percent.
- The municipal bond index rate decreased from 2.45 percent to 1.92 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation decreased from 2.63 percent to 2.27 percent.

**Fairland Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2024*

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- The medical trend assumption rate changed as follows:
  - Medicare – 2020 – 5.25 to 4.75 percent, 2022 – 5.125 to 4.4 percent
  - Pre-Medicare – 2020 – 7 to 4.75 percent, 2022 – 6.75 to 4.4 percent
- Mortality among members was updated to the following:
  - PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females.
- Mortality among disabled members was updated to the following:
  - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females.

For fiscal year 2023, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 1.92 percent to 3.69 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.27 percent to 4.08 percent.

For fiscal year 2024, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 3.69 percent to 3.86 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 4.08 percent to 4.27 percent.
- The medical trend assumption decreased from 7.00 percent to 6.75 percent.

**FAIRLAND LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Grant Number</b>	<b>Provided to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF DEPARTMENT OF AGRICULTURE</b>				
<b>Passed Through Ohio Department of Education and Workforce</b>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2023-2024	\$ -	\$ 25,973
Cash Assistance:				
COVID-19 National School Lunch Program	10.555	2023-2024		41,094
National School Lunch Program	10.555	2023-2024		276,765
Total National School Lunch Program				343,832
School Breakfast Program	10.553	2023-2024		110,710
Total Child Nutrition Cluster				454,542
Total U.S. Department of Agriculture				454,542
<b>U.S. DEPARTMENT OF THE TREASURY</b>				
<b>Passed Through Ohio Office of Budget and Management</b>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds				
K-12 School Safety Grant Program	21.027	2023		223,845
Total U.S. Department of the Treasury				223,845
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed Through Ohio Department of Education and Workforce</b>				
Title I Grants to Local Educational Agencies	84.010	2023 2024		70,481 321,834
Total Title I Grants to Local Educational Agencies				392,315
Special Education Cluster:				
Special Education Grants to States	84.027	2023 2024		10,948 255,974
Total Special Education Grants to States				266,922
Special Education Preschool Grants	84.173	2024		7,492
Total Special Education Cluster				274,414
Supporting Effective Instruction State Grants	84.367	2023 2024		10,925 52,166
Total Supporting Effective Instruction State Grants				63,091
Student Support and Academic Enrichment Program	84.424	2024		30,000
COVID-19 Education Stabilization Fund	84.425U	2023		1,191,940
	84.425U	2024		904,239
Total COVID-19 Education Stabilization Fund				2,096,179
Total U.S. Department of Education				2,855,999
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 3,534,386</b>

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

**FAIRLAND LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2024**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fairland Local School District (the School District) under programs of the federal government for the year ended June 30, 2024. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B – 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 School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE F – FOOD DONATION PROGRAM**

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



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

Fairland Local School District  
Lawrence County  
228 Private Drive 10010  
Proctorville, Ohio 45669

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio (the School District) as of and for the year ended June 30, 2024, 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 April 7, 2025, wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.100, *Accounting Changes and Error Corrections* which resulted in a restatement of beginning balance due to a change in major funds.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio  
April 7, 2025

# OHIO AUDITOR OF STATE KEITH FABER



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

Fairland Local School District  
Lawrence County  
228 Private Drive 10010  
Proctorville, Ohio 45669

To the Board of Education:

### Report on Compliance for Each Major Federal Program

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

We have audited Fairland Local School District's, Lawrence County, (School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Fairland Local School District's major federal programs for the year ended June 30, 2024. Fairland Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Fairland Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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

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

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

#### *Responsibilities of Management for Compliance*

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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



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

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

A handwritten signature in black ink, reading "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State  
Columbus, Ohio  
April 7, 2025

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**FAIRLAND LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2024**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	COVID-19 Education Stabilization Fund – Federal AL- #84.425U  Title I Grants to Local Educational Agencies - Federal AL #84.010A
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

**FINDING NUMBER 2024-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**FINDING NUMBER 2024-001**  
**(Continued)**

Due to deficiencies in internal control related to financial reporting, the School District misclassified various transactions in the annual financial report submitted to the Auditor of State for fiscal year 2024. They were as follows:

- Charges for Services revenue on the Statement of Activities was misallocated among line items in total by \$63,933 for Governmental Activities.
- \$246,746 was misclassified between depreciable and non-depreciable assets in prior years. This error carried forward again for this year in Governmental Activities.
- Non depreciable assets (Construction in Progress) were overstated by \$483,441 in Governmental Activities.
- Depreciable assets and the Extraordinary Item were both overstated by \$930,007 in Governmental Activities due to an impairment not being properly posted.
- Insurance Proceeds Receivable were understated \$1,234,677 for both the Permanent Improvement Fund and Governmental Activities.
- Contracts Payable were understated \$1,234,677 for both the Permanent Improvement Fund and Governmental Activities.
- Extraordinary Revenue was overstated by \$877,683 for both the Permanent Improvement Fund and Governmental Activities.
- Capital Outlay was overstated by \$483,441 for both the Permanent Improvement Fund and Governmental Activities.
- Unavailable Revenue was understated by \$394,242 in the Permanent Improvement Fund.

Some of the amounts above were not material and as such, did not require posting to the financial statements. However, for those that were material, audit adjustments and reclassifications to the financial statements were agreed to by management and made. None of these required posting to the School District's accounting system.

To ensure the School District's financial statements and notes to the financial statements are complete and accurate, the School District should adopt policies and procedures, including a final review of the statements and notes by the School District Treasurer and Board of Education to identify and correct errors and omissions in a timely manner.

**Officials' Response:**

See Corrective Action Plan.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

# Fairland School District

## BOARD OF EDUCATION

JEFF BENNETT, PRESIDENT

ROBYN CHAPMAN, VICE PRESIDENT

MARTIN APPLETON, MEMBER

MARK HALL, MEMBER

GARY SOWARDS, MEMBER

228 PRIVATE DRIVE 10010  
PROCTORVILLE, OHIO 45669  
TELEPHONE 740-886-3100  
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RONI HAYES  
SUPERINTENDENT

WENDY MCGOON  
TREASURER

T. J. COCHRANE  
ADMINISTRATIVE SECRETARY

TRISH WATTS  
ACCOUNTS PAYABLE

MARK HENSON  
PAYROLL

## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2024

### Finding Number:

### Planned Corrective Action:

2024-001

The majority of misstatements identified during the audit were the result of complexities surrounding the impairment of one of our buildings after a tornado struck it. The repairs to address the impairment of the building were handled directly by our insurance company on our behalf. During the compilation of our financial statements, it was determined that this activity should be reported, but it was difficult to retrieve clear and concise information from either the insurance company or the contractors they used. Ultimately, we believe we received information that accounted for the totality of the project, but some of the information was not completely clear with regard to timing of work performed and when amounts were paid on behalf of the School District. As such, the majority of the project was recorded during the fiscal year. However, the audit team subsequently determined that some of the information was misinterpreted and that the project costs and related asset changes were overstated. The appropriate adjustments were made to the financial statements and will be revisited in the fiscal year 2025 compilation to ensure all reporting occurs in the proper years. Regarding the other findings identified, we will discuss those issues with our compiler and ensure they are corrected for fiscal year 2025.

### Anticipated Completion Date:

### Responsible Contact Person:

March 25, 2025

Wendy McGoon, Treasurer



# OHIO AUDITOR OF STATE KEITH FABER



**FAIRLAND LOCAL SCHOOL DISTRICT**

**LAWRENCE 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 4/22/2025**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)