



OHIO AUDITOR OF STATE
KEITH FABER



**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY
JUNE 30, 2020**

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BROWN COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Fayetteville-Perry Local School District
Brown County
551 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 23 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 3, 2021

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Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The School District's net position decreased \$166,881 during this fiscal year's operations.
- General revenues accounted for \$7,539,816 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$2,922,119, or 28 percent of total revenues of \$10,461,935.
- The School District had \$10,628,816 in expenses related to governmental activities; only \$2,922,119, of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of \$7,539,816 were not adequate to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand Fayetteville-Perry Local School District as a whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole, and present 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 major funds, with all other nonmajor funds presented in total in one column. The major funds for the Fayetteville-Perry Local School District are the General Fund, the Debt Service Fund, and the Permanent Improvement Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal 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 position. The 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. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
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In the Statement of Net Position and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial statements 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 major funds.

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 government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities. The School District's private purpose trust fund accounts for college scholarship programs for students.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
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Table 1 provides a summary of the School District's net position for fiscal years 2020 and 2019:

Table 1
Net Position

	Governmental Activities	
	2020	2019
Assets		
Current and Other Assets	\$ 8,453,962	\$ 8,543,170
Capital Assets, Net	21,774,780	22,385,605
Total Assets	<u>30,228,742</u>	<u>30,928,775</u>
Deferred Outflows of Resources		
Pensions and OPEB	2,005,833	2,531,023
Unamortized Deferred Amount on Refunding	238,458	256,122
Total Deferred Outflows of Resources	<u>2,244,291</u>	<u>2,787,145</u>
Liabilities		
Current and Other Liabilities	959,344	852,945
Long-Term Liabilities:		
Due Within One Year	338,514	301,073
Due in More than One Year:		
Net Pension Liabilities	8,206,861	8,412,028
Net OPEB Liabilities	829,523	947,064
Other Amounts	5,232,461	5,447,494
Total Liabilities	<u>15,566,703</u>	<u>15,960,604</u>
Deferred Inflows of Resources		
Pensions and OPEB	1,592,665	2,004,889
Property Taxes not Levied to Finance Current Year Operations	1,714,962	1,984,843
Total Deferred Inflows of Resources	<u>3,307,627</u>	<u>3,989,732</u>
Net Position		
Net Investment in Capital Assets	16,971,041	17,340,148
Restricted	2,703,147	2,711,289
Unrestricted	<u>(6,075,485)</u>	<u>(6,285,853)</u>
Total Net Position	<u>\$ 13,598,703</u>	<u>\$ 13,765,584</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability is another significant liability reported by the School District at June 30, 2020 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Total net position of the School District as a whole decreased \$166,881. The decrease to current and other assets is primarily due to a decrease in taxes receivable, which was partially offset by an increase in cash. The decrease in capital assets is due to current year depreciation expense, which is partially offset by current year additions. Deferred outflows of resources decreased primarily to pension and OPEB activity. Long-term liabilities decreased due primarily to net pension liabilities, net OPEB liabilities and principal payments on debt obligations. Deferred inflows of resources decreased due primarily to pension and OPEB activity as well as property taxes not levied to finance current year operations.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants and contributions. General Revenues include property taxes, unrestricted grants such as State foundation support, unrestricted gifts and donations, interest and miscellaneous revenues.

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 1,592,466	\$ 1,522,521
Operating Grants and Contributions	<u>1,329,653</u>	<u>1,116,002</u>
Total Program Revenues	<u>2,922,119</u>	<u>2,638,523</u>
General Revenues		
Property Taxes	2,763,547	2,971,767
Grants and Entitlements Not Restricted to Specific Programs	4,575,586	4,664,396
Gifts and Donations Not Restricted to Specific Programs	4,004	2,403
Interest	104,909	101,553
Payments in Lieu of Taxes	-	2,630
Miscellaneous	<u>91,770</u>	<u>71,388</u>
Total General Revenues	<u>7,539,816</u>	<u>7,814,137</u>
Total Revenues	<u>10,461,935</u>	<u>10,452,660</u>
Program Expenses		
Instruction:		
Regular	4,251,402	3,511,427
Special	1,476,237	1,295,465
Vocational	134,433	121,912
Student Intervention Services	1,750	1,909
Other	387,818	339,901
Support Services:		
Pupils	437,231	458,480
Instructional Staff	217,206	334,449
Board of Education	43,242	63,585
Administration	867,344	612,353
Fiscal	377,810	359,434
Operation and Maintenance of Plant	1,030,815	1,037,551
Pupil Transportation	516,989	535,100
Central	145,716	33,352
Operation of Non-Instructional Services:		
Food Services	438,428	447,713
Extracurricular Activities	171,185	229,793
Interest and Fiscal Charges	<u>131,210</u>	<u>149,531</u>
Total Expenses	<u>10,628,816</u>	<u>9,531,955</u>
Change in Net Position	(166,881)	920,705
Net Position, Beginning of Year	<u>13,765,584</u>	<u>12,844,879</u>
Net Position, End of Year	<u>\$ 13,598,703</u>	<u>\$ 13,765,584</u>

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Net position decreased by \$166,881 in fiscal year 2020. Overall revenues of the School District remained consistent with the prior year. Operating Grants and Contributions increased due to the Student Wellness program. Property tax revenue decreased due to a decrease in the amount available as an advance.

Instruction comprises approximately 59 percent of governmental program expenses and support services make up approximately 34 percent of the program expense of the School District. Overall, program expenses of the School District increased \$1,096,861. The increase in expenses is primarily due to pension and OPEB expenses.

The DeRolph III decision has not eliminated the dependence on property taxes. Property taxes made up approximately 26 percent of revenues for governmental activities for the School District in fiscal year 2020.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2020		2019	
Program Expenses				
Instruction:				
Regular	\$ 4,251,402	\$ 3,546,136	\$ 3,511,427	\$ 2,973,590
Special	1,476,237	612,681	1,295,465	491,092
Vocational	134,433	64,273	121,912	51,905
Student Intervention Services	1,750	1,455	1,909	1,557
Other	387,818	322,345	339,901	277,187
Support Services:				
Pupils	437,231	343,511	458,480	373,936
Instructional Staff	217,206	182,828	334,449	280,498
Board of Education	43,242	35,942	63,585	51,853
Administration	867,344	663,751	612,353	448,397
Fiscal	377,810	317,028	359,434	295,624
Operation and Maintenance of Plant	1,030,815	825,968	1,037,551	830,148
Pupil Transportation	516,989	436,005	535,100	525,911
Central	145,716	121,116	33,352	27,198
Operation of Non-Instructional Services	438,428	52,789	447,713	28,368
Extracurricular Activities	171,185	49,659	229,793	86,637
Interest and Fiscal Charges	131,210	131,210	149,531	149,531
Total	<u>\$ 10,628,816</u>	<u>\$ 7,706,697</u>	<u>\$ 9,531,955</u>	<u>\$ 6,893,432</u>

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2020, only 28 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 72 percent is provided through taxes, entitlements and other general revenues.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$10,454,303 and expenditures of \$10,482,396. The net change in fund balance for the fiscal year was most significant in the Debt Service Fund, a decrease of \$162,092. This decrease was due to debt payments exceeding the tax revenues. The General Fund net change in fund balance was a decrease in the amount of \$7,924. The Permanent Improvement Fund net change in fund balance was an increase in the amount of \$139,000.

General Fund - Budget 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. During the course of fiscal year 2020, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final revenue budget estimates were \$58,469 more than final budget estimates of \$8,566,403, due to increases in tuition and fees and miscellaneous revenues, which were partially offset by a decrease in property taxes and intergovernmental revenues. Final budgeted expenditures were \$491,773 more than original budget estimates of \$8,379,773 due to increases in regular instruction, administration, fiscal and central support services.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the School District had \$21,774,780 invested in its capital assets. Table 4 shows the fiscal year 2020 balances compared to 2019.

Table 4
Capital Assets
 (Net of Accumulated Depreciation)

Governmental Activities		
	2020	2019
Land and Land Improvements	\$ 1,011,668	\$ 1,104,708
Buildings and Improvements	20,324,113	20,829,878
Furniture, Fixtures, Equipment and Textbooks	202,051	269,355
Vehicles	236,948	181,664
Totals	\$ 21,774,780	\$ 22,385,605

See Note 9 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2020 the School District had \$4,672,618 in a loan, capital lease, and bonds outstanding (excluding premium and accretion) with \$297,234 due within one year. The net pension liability was \$8,206,861 at June 30, 2020, while the net OPEB liability was \$829,523.

The School District's overall legal debt margin was \$7,521,726 with an unvoted debt margin of \$115,578 at June 30, 2020. For more information on debt, refer to note 14 to the basic financial statements.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Other Significant Information

As described in Note 23, the United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 information, contact Lisa Tussey, Treasurer, at Fayetteville-Perry Local School District, 551 S. Apple Street, Fayetteville, Ohio 45118-0281.

Fayetteville-Perry Local School District

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets:	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$4,987,162
Cash and Cash Equivalents in Segregated Accounts	2,799
Prepaid Items	8,640
Intergovernmental Receivable	205,095
Property Taxes Receivable	2,780,260
<i>Noncurrent Assets</i>	
Net OPEB Asset	470,006
Non-Depreciable Capital Assets	89,380
Depreciable Capital Assets, Net	21,685,400
<i>Total Assets</i>	30,228,742
Deferred Outflows of Resources:	
Pensions	1,786,248
OPEB	219,585
Unamortized Deferred Amount on Refunding	238,458
<i>Total Deferred Outflows of Resources</i>	2,244,291
Liabilities:	
Accounts Payable	93,827
Accrued Wages and Benefits Payable	706,386
Intergovernmental Payable	146,822
Accrued Interest Payable	12,309
<i>Long-Term Liabilities:</i>	
Due Within One Year	338,514
Due in More Than One Year	
Net Pension Liability (See Note 11)	8,206,861
OPEB Liability (See Note 12)	829,523
Other Amounts Due in More Than One Year	5,232,461
<i>Total Liabilities</i>	15,566,703
Deferred Inflows of Resources:	
Pensions	687,862
OPEB	904,803
Property Taxes not Levied to Finance Current Year Operations	1,714,962
<i>Total Deferred Inflows of Resources</i>	3,307,627
Net Position:	
Net Investment in Capital Assets	16,971,041
<i>Restricted for:</i>	
Capital Outlay	622,090
Debt Service	1,740,709
Classroom Facilities Maintenance	204,288
Other Purposes	136,060
Unrestricted	(6,075,485)
<i>Total Net Position</i>	\$13,598,703

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues		Net (Expense)	
	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
Expenses			Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$4,251,402	\$589,617	\$115,649	(\$3,546,136)
Special	1,476,237	203,314	660,242	(612,681)
Vocational	134,433	22,164	47,996	(64,273)
Student Intervention Services	1,750	295	0	(1,455)
Other	387,818	65,473	0	(322,345)
Support Services:				
Pupils	437,231	68,796	24,924	(343,511)
Instructional Staff	217,206	29,601	4,777	(182,828)
Board of Education	43,242	7,300	0	(35,942)
Administration	867,344	129,619	73,974	(663,751)
Fiscal	377,810	59,601	1,181	(317,028)
Operation and Maintenance of Plant	1,030,815	129,517	75,330	(825,968)
Pupil Transportation	516,989	80,984	0	(436,005)
Central	145,716	24,600	0	(121,116)
Operation of Non-Instructional Services:				
Food Services	438,428	112,864	272,775	(52,789)
Extracurricular Activities	171,185	68,721	52,805	(49,659)
Interest and Fiscal Charges	131,210	0	0	(131,210)
Total Governmental Activities	\$10,628,816	\$1,592,466	\$1,329,653	(7,706,697)
General Revenues:				
Property Taxes Levied for:				
				2,179,215
				226,534
				322,163
				35,635
Grants and Entitlements not				
				4,575,586
				4,004
				104,909
				91,770
Total General Revenues				7,539,816
Change in Net Position				(166,881)
<i>Net Position at Beginning of Year</i>				13,765,584
<i>Net Position at End of Year</i>				\$13,598,703

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Balance Sheet

Governmental Funds

June 30, 2020

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,467,935	\$1,656,715	\$505,949	\$356,563	\$4,987,162
Cash and Cash Equivalents in Segregated Accounts	0	0		2,799	2,799
Interfund Receivable	76,614	0	0	0	76,614
Intergovernmental Receivable	24,433	0	0	180,662	205,095
Prepaid Items	8,394	0	0	246	8,640
Property Taxes Receivable	2,137,287	291,808	316,234	34,931	2,780,260
Total Assets	\$4,714,663	\$1,948,523	\$822,183	\$575,201	\$8,060,570
Liabilities:					
Accounts Payable	\$43,998	\$0	\$9,862	\$39,967	\$93,827
Accrued Wages and Benefits Payable	651,259	0	0	55,127	706,386
Interfund Payable	0	0	0	76,614	76,614
Intergovernmental Payable	135,920	0	0	10,902	146,822
Total Liabilities	831,177	0	9,862	182,610	1,023,649
Deferred Inflows of Resources:					
Property Taxes not Levied to Finance Current Year Operations	1,295,675	207,814	190,231	21,242	1,714,962
Unavailable Revenue - Delinquent Taxes	109,692	10,964	16,447	1,789	138,892
Unavailable Revenue - Grants	0	0	0	116,694	116,694
Total Deferred Inflows of Resources	1,405,367	218,778	206,678	139,725	1,970,548
Fund Balances:					
Nonspendable	8,394	0	0	246	8,640
Restricted	0	1,729,745	605,643	340,629	2,676,017
Assigned	232,802	0	0	0	232,802
Unassigned	2,236,923	0	0	(88,009)	2,148,914
Total Fund Balances	2,478,119	1,729,745	605,643	252,866	5,066,373
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$4,714,663	\$1,948,523	\$822,183	\$575,201	\$8,060,570

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Governmental Fund Balances		\$5,066,373
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,774,780
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	138,892	
Intergovernmental	116,694	
		255,586
The net pension/OPEB liability (asset) is not due and payable in the current period; therefore, the liability (asset) and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions and OPEB	2,005,833	
Deferred inflows of resources related to pensions and OPEB	(1,592,665)	
Net OPEB Asset	470,006	
Net OPEB Liability	(829,523)	
Net Pension Liability	(8,206,861)	
		(8,153,210)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(12,309)
Some liabilities and deferred outflows are not due and payable in the current period and therefore are not reported in the funds. Those liabilities and deferred outflows consist of:		
Bonds payable	(4,610,000)	
Bond premium	(369,579)	
Loans payable	(22,218)	
Unamortized deferred amount on refunding	238,458	
Lease Payable	(40,400)	
Compensated absences	(528,778)	
		(5,332,517)
Net Position of Governmental Activities		\$13,598,703

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$2,132,027	\$228,071	\$315,091	\$34,864	\$2,710,053
Intergovernmental	4,939,162	43,626	43,569	839,429	5,865,786
Interest	104,870	0	0	39	104,909
Tuition and Fees	1,361,913	0	0	0	1,361,913
Extracurricular Activities	30,735	0	0	51,204	81,939
Gifts and Donations	4,004	0	0	4,515	8,519
Customer Sales and Services	51,445	0	0	97,169	148,614
Miscellaneous	78,800	0	0	12,970	91,770
Total Revenues	8,702,956	271,697	358,660	1,040,190	10,373,503
Expenditures:					
Current:					
Instruction:					
Regular	3,629,923	0	2,200	137,931	3,770,054
Special	1,230,925	0	0	259,725	1,490,650
Vocational	139,198	0	0	0	139,198
Student Intervention Services	1,750	0	0	0	1,750
Other	387,526	0	0	0	387,526
Support Services:					
Pupils	427,595	0	0	29,726	457,321
Instructional Staff	183,056	0	14,410	5,697	203,163
Board of Education	43,198	0	0	0	43,198
Administration	752,953	0	0	88,226	841,179
Fiscal	344,520	10,789	12,576	1,408	369,293
Operation and Maintenance of Plant	749,364	0	58,562	89,844	897,770
Pupil Transportation	459,376	0	0	0	459,376
Central	134,685	0	0	0	134,685
Operation of Non-Instructional Services:					
Food Services	88,757	0	0	321,731	410,488
Extracurricular Activities	119,585	0	0	62,979	182,564
Capital Outlay	18,469	0	164,906	40,000	223,375
Debt Service:					
Principal Retirement	0	265,000	47,806	0	312,806
Interest and Fiscal Charges	0	158,000	0	0	158,000
Total Expenditures	8,710,880	433,789	300,460	1,037,267	10,482,396
Excess of Revenues Over (Under) Expenditures	(7,924)	(162,092)	58,200	2,923	(108,893)
Other Financing Sources (Uses):					
Inception of Lease	0	0	80,800	0	80,800
Total Other Financing Sources (Uses)	0	0	80,800	0	80,800
Net Change in Fund Balances	(7,924)	(162,092)	139,000	2,923	(28,093)
Fund Balances at Beginning of Year	2,486,043	1,891,837	466,643	249,943	5,094,466
Fund Balances at End of Year	\$2,478,119	\$1,729,745	\$605,643	\$252,866	\$5,066,373

See accompanying notes to the basic financial statements.

Fayetteville-Perry 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, 2020

Net Change in Fund Balances - Total Governmental Funds (\$28,093)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	228,625	
Depreciation expense	(839,450)	
Excess of depreciation expense over capital asset additions		(610,825)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	53,494	
Intergovernmental	34,938	
		88,432

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. The difference in the amount of interest on the Statement of Activities is the result of the following:

Decrease in accrued interest payable	17,078	
Amortization of bond premium	27,376	
Amortization of deferred amount on refunding	(17,664)	
Increase in compensated absences payable	(81,790)	
		(55,000)

In governmental funds, a lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (80,800)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

Bond principal payments	265,000	
Lease principal payment	40,400	
Loan payments	7,406	
Total long-term debt repayment		312,806

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 651,748

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities. (445,149)

Change in Net Position of Governmental Activities (\$166,881)

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Revenues and Other Financing Sources	\$8,566,403	\$8,566,403	\$8,624,872	\$58,469
Total Expenditures and Other Financing Uses	8,379,773	8,871,546	8,865,896	5,650
<i>Net Change in Fund Balance</i>	186,630	(305,143)	(241,024)	64,119
<i>Fund Balance at Beginning of Year</i>	2,291,710	2,291,710	2,291,710	0
<i>Prior Year Encumbrances Appropriated</i>	154,283	154,283	154,283	0
<i>Fund Balance at End of Year</i>	<u>\$2,632,623</u>	<u>\$2,140,850</u>	<u>\$2,204,969</u>	<u>\$64,119</u>

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$15,972	\$51,660
Liabilities:		
Undistributed Monies	0	\$51,660
Net Position:		
Held in Trust for Scholarships	\$15,972	

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
	Scholarship
<i>Additions:</i>	
Gifts and Contributions	\$890
Interest	281
<i>Total Additions</i>	1,171
<i>Deductions:</i>	
Payments in Accordance with Trust Agreements	1,500
<i>Change in Net Position</i>	(329)
<i>Net Position at Beginning of Year</i>	16,301
<i>Net Position at End of Year</i>	\$15,972

See accompanying notes to the basic financial statements.

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Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 36 non-certificated employees and 60 certificated personnel employees who provide services to 707 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity:

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the Hamilton Clermont Cooperative Information Technology Center (HCC), the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in notes 16, 17, and 18 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type. 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, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. The major source of revenue for this fund is property taxes.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities within the School District. The major source of revenue for this fund is property taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, a student president, a student treasurer, and a faculty advisor.

C. 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 (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows/outflows 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds 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 basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows of resources related to unamortized deferred amounts on refunding, the recording of deferred inflows and outflows of resources related to net pension and net OPEB liabilities (assets), and the recording of net pension and net OPEB liabilities (assets).

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 that the amount of the transaction can be determined and "available" means that the resources are collectible 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.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds, pensions, and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Notes 11 and 12. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period, pensions, and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension and other postemployment benefits are only reported on the Statement of Net Position. (See Notes 11 and 12)

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 the governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2020, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

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

For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAROhio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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 2020 amounted to \$104,870, \$39 in Other Governmental Funds, and \$281 in the Private Purpose Trust Fund.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually 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.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) 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 maintains a capitalization threshold of \$2,500. 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, 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>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years

G. Bond Premiums/Issuance Costs/ Gain or Loss on Advance Refunding

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas bond issuance costs are expensed in the year incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Bond Premiums/Issuance Costs/ Gain or Loss on Advance Refunding (continued)

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow/outflow of resources on the Statement of Net Position.

H. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences 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 employee will be paid.

I. 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 and special termination payments 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 in the current fiscal year and will be paid with available financial resources. Bonds that will be paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

J. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred inflows and outflows related to the acquisition, construction or improvements 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 represents balances in special revenue funds for grants whose use is restricted by grant agreements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Position (continued)

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

Of the School District's \$2,703,147 in restricted net position, none is restricted by enabling legislation.

K. Interfund Transactions and Balances

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. Transfers between governmental activities are eliminated on the statement of activities.

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" or as "interfund receivable/payable." All unpaid reimbursements between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net position.

L. 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.

M. Budgetary Process

All funds, other than agency 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, all of 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's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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 statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements 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 during the fiscal year, including all supplemental appropriations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance

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

Nonspendable The nonspendable fund balance 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” criterion includes items that are not expected to be converted to cash.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the 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 to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the 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 Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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 amounts in any of the unrestricted fund balance classifications could be used.

O. Pensions and Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension 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.

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 3 - 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 fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid Items	\$8,394	\$0	\$0	\$246	\$8,640
Restricted for					
Other Purposes	0	0	0	138,130	138,130
Classroom Facilities Maintenance	0	0	0	202,499	202,499
Debt Services Payments	0	1,729,745	0	0	1,729,745
Capital Improvements	0	0	605,643	0	605,643
Total Restricted	<u>0</u>	<u>1,729,745</u>	<u>605,643</u>	<u>340,629</u>	<u>2,676,017</u>
Assigned to					
Other Purposes	<u>232,802</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>232,802</u>
Unassigned (Deficit)	<u>2,236,923</u>	<u>0</u>	<u>0</u>	<u>(88,009)</u>	<u>2,148,914</u>
Total Fund Balances	<u>\$2,478,119</u>	<u>\$1,729,745</u>	<u>\$605,643</u>	<u>\$252,866</u>	<u>\$5,066,373</u>

NOTE 4 - ACCOUNTABILITY

At June 30, 2020, the Safe Schools, Title VI-B, Title I, and Miscellaneous Federal Grants Special Revenue Funds had deficit fund balances in the amounts of \$4,760, \$37,814, \$44,392, and \$1,043, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	(\$7,924)
Adjustments:	
Revenue Accruals	(42,055)
Expenditure Accruals	63,773
Perspective Difference:	
Activity of Funds Reclassed for	
GAAP Reporting Purposes	(9,370)
Encumbrances	<u>(245,448)</u>
Budget Basis	<u><u>(\$241,024)</u></u>

NOTE 6 - 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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 bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer’s investment pool (STAR Ohio);
8. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 or qualified trustee or, 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 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 year end, \$670,496 of the School District’s bank balance of \$920,496 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit 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

As of June 30, 2020, the School District had the following investment, which is in an internal investment pool:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$ 4,311,368	< 1 year
Total Investment	<u>\$ 4,311,368</u>	

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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, 2020. As discussed further in Note 2E, STAR Ohio is reported at its share price.

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in STAROhio were rated AAAM by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District invests only in investments that are allowable per the Ohio Revised Code. The School District has invested 100 percent in STAROhio. The School District has no investment policy.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

NOTE 7 - 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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected 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.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available 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, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2020, was \$926,406 and is recognized as revenue: \$731,920 in the General Fund, \$73,030 in the Bond Retirement Debt Service Fund and \$121,456 in the Other Governmental Funds.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 First- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 111,124,810	97.02%	\$ 111,940,640	96.85%
Public Utility	3,412,000	2.98%	3,636,930	3.15%
Total Assessed Value	<u>\$ 114,536,810</u>	<u>100.00%</u>	<u>\$ 115,577,570</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 35.90		 \$ 35.10	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2020, consisted of intergovernmental grants, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Total</u>
General Fund	\$ 24,433
Non-Major Funds:	
Food Service	38,607
Preschool	3,551
Title VI-B Fund	46,864
Chapter I/Title I Fund	89,994
Title II-A	303
Miscellaneous Federal Grant Fund	1,343
Total Non-Major Funds	<u>180,662</u>
Total Intergovernmental Receivable	<u>\$ 205,095</u>

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 - CAPITAL ASSETS

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

	Balance at 6/30/2019	Additions	Deletions	Balance at 6/30/2020
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 89,380	\$ -	\$ -	\$ 89,380
Total Capital Assets, Not Being Depreciated	89,380	-	-	89,380
Capital Assets, Being Depreciated				
Land Improvements	2,472,281	12,850	-	2,485,131
Buildings and Building Improvements	26,758,828	109,646	-	26,868,474
Furniture, Fixtures, Equipment and Textbooks	1,455,651	11,735	-	1,467,386
Vehicles	1,004,724	94,394	-	1,099,118
Total Capital Assets, Being Depreciated	31,691,484	228,625	-	31,920,109
Accumulated Depreciation				
Land Improvements	(1,456,953)	(105,890)	-	(1,562,843)
Buildings and Building Improvements	(5,928,950)	(615,411)	-	(6,544,361)
Furniture, Fixtures, Equipment and Textbooks	(1,186,296)	(79,039)	-	(1,265,335)
Vehicles	(823,060)	(39,110)	-	(862,170)
Total Accumulated Depreciation	(9,395,259)	(839,450)	-	(10,234,709)
Total Capital Assets Being Depreciated, Net	22,296,225	(610,825)	-	21,685,400
Governmental Activities Capital Assets, Net	\$ 22,385,605	\$ (610,825)	\$ -	\$ 21,774,780

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$618,758
Special	2,097
Vocational	3,149
<i>Support Services:</i>	
Instructional Staff	21,761
Administration	11,337
Operation and Maintenance of Plant	120,480
Pupil Transportation	37,291
Operation of Non-Instructional Services	20,129
Extracurricular Activities	4,448
Total	\$839,450

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

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 2020, the School District contracted with the Ohio School Plan for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by the Ohio School Plan and holds no deductible.

The School District's vehicles are covered by the Ohio School Plan under a business policy and hold a \$1,000 deductible for comprehensive and collision, with a \$2,000,000 limit on any accident.

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

B. Workers' Compensation

For fiscal year 2020, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement managed provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 17) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and OPEB are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and 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 District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions and OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The 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 accrued wages and benefits 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.

Plan Description - School Employees Retirement System (SERS)

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

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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 year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2020, 14.0% was designated to pension, death benefits, and Medicare B. There was no amount allocated to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$156,245 for fiscal year 2020. Of this amount \$13,228 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other 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 Web site at www.strsoh.org.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$474,532 for fiscal year 2020. Of this amount \$84,500 is reported as an intergovernmental payable.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - Current Year	0.0322781%	0.02837792%	
Proportionate Share of the Net Pension Liability - Prior Year	<u>0.0338345%</u>	<u>0.02944486%</u>	
Change in Proportionate Share	<u>-0.0015564%</u>	<u>-0.00106694%</u>	
Proportion of the Net Pension Liability	\$ 1,931,255	\$ 6,275,606	\$ 8,206,861
Pension Expense (Gain)	\$ 210,833	\$ 371,410	\$ 582,243

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

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ 48,973	\$ 51,094	\$ 100,067
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	19,589	298,681	318,270
Changes of assumptions	-	737,191	737,191
School District contributions subsequent to the measurement date	<u>146,712</u>	<u>484,008</u>	<u>630,720</u>
Total	<u>\$ 215,274</u>	<u>\$ 1,570,974</u>	<u>\$ 1,786,248</u>

Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ -	\$ 27,166	\$ 27,166
Differences between projected and actual investment earnings	24,790	306,718	331,508
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	<u>86,709</u>	<u>242,479</u>	<u>329,188</u>
Total	<u>\$ 111,499</u>	<u>\$ 576,363</u>	<u>\$ 687,862</u>

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

\$630,720 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ 6,907	\$ 289,369	\$ 296,276
2022	(62,254)	102,376	40,122
2023	(1,649)	42,884	41,235
2024	14,059	75,974	90,033
Total	\$ (42,937)	\$ 510,603	\$ 467,666

Actuarial Assumptions - SERS

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

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

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

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

Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent - On and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement.
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

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

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

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

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

Sensitivity of the 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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,706,379	\$1,931,255	\$1,281,217

Assumptions and Benefit Changes Since the Prior Measurement Date – There were no changes in assumptions or benefits since the prior measurement date.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Payroll Increases	3.0%
Investment Rate of Return	7.45 percent, net of investment expenses
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0%

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

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

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

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

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

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

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. 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 Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$9,171,100	\$6,275,606	\$3,824,423

Assumptions and Benefit Changes Since the Prior Measurement Date - There were no changes in assumptions or benefit terms since the prior measurement date.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2020, two members of the Board of Education has elected Social Security. The Board’s liability is 6.2 percent of wages paid.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

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

School Employees Retirement System

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

School Employees Retirement System (continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$21,028.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. No portion of covered payroll was allocated to the Health Care Fund in 2020. The School District's contractually required contribution to SERS was \$21,028 for fiscal year 2020.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	0.03298580%	0.02837792%	
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	<u>0.03413740%</u>	<u>0.02944486%</u>	
Change in Proportionate Share	<u>0.00115160%</u>	<u>0.00106694%</u>	
Proportionate Share of the Net OPEB Liability	\$829,523	\$0	\$829,523
Proportionate Share of the Net OPEB (Asset)	\$0	(\$470,006)	(\$470,006)
OPEB Expense (Gain)	(\$5,801)	(\$131,293)	(\$137,094)

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

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$ 12,177	\$ 42,609	\$ 54,786
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	35,102	36,212	71,314
Changes of assumptions	60,587	9,879	70,466
Differences between projected and actual investment earnings	1,991	-	1,991
School District contributions subsequent to the measurement date	21,028	-	21,028
Total	<u>\$ 130,885</u>	<u>\$ 88,700</u>	<u>\$ 219,585</u>
Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$182,241	\$23,912	\$206,153
Differences between projected and actual investment earnings	-	29,519	29,519
Changes of assumptions	46,484	515,307	561,791
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	55,719	51,621	107,340
Total	<u>\$ 284,444</u>	<u>\$ 620,359</u>	<u>\$ 904,803</u>

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (continued)

\$21,028 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 (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$60,762)	(\$116,718)	(\$177,480)
2022	(33,770)	(116,718)	(150,488)
2023	(20,962)	(104,888)	(125,850)
2024	(21,058)	(100,738)	(121,796)
2025	(24,979)	(90,476)	(115,455)
Thereafter	(13,056)	(2,121)	(15,177)
Total	(\$174,587)	(\$531,659)	(\$706,246)

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.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Valuation Date	June 30, 2019
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation
Price Inflation	3.00%
Salary increases, including price inflation	3.50% - 18.20%
Municipal Bond Index Rate	
Prior Measurement Date	3.62%
Measurement Date	3.13%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	3.70%
Measurement Date	3.22%
Medical Trend Assumption	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 4.75%

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

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

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

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

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2028 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,006,884	\$829,523	\$688,501

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower and higher than the current rate.

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB liability	\$664,616	\$829,523	\$1,048,315

Assumptions and Benefit Changes Since the Prior Measurement Date - The following changes in key methods and assumptions as presented below:

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

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions - STRS

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

Projected Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45%	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.93%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

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

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

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

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

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

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

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

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The following table represents the net OPEB liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB (asset) liability 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 in Discount Rate (6.45%)	Current Discount Rate (7.45%)	1% Increase in Discount Rate (8.45%)
School District's proportionate share of the net OPEB (asset) liability	(\$401,057)	(\$470,006)	(\$527,977)
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB (asset) liability	(\$532,966)	(\$470,006)	(\$392,897)

Assumption Changes Since the Prior Measurement Date – There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% 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.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for teachers, administrators, and classified employees. will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 13 - EMPLOYEE BENEFITS (continued)

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through MetLife Insurance. Vision insurance is provided by the School District to all employees through Vision Service Plan.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2020 were as follows:

	Amount Outstanding 6/30/19	Additions	Deductions	Amount Outstanding 6/30/20	Due in One Year
School Improvement Refunding Bonds 2014					
1.00 - 4.00%	\$ 4,875,000	\$ -	\$ (265,000)	\$ 4,610,000	\$ 270,000
Premium on Refunding	396,955	-	(27,376)	369,579	-
Loan for Land Purchase	29,624	-	(7,406)	22,218	7,406
Total Long-Term Bonds and Loans	<u>5,301,579</u>	<u>-</u>	<u>(299,782)</u>	<u>5,001,797</u>	<u>277,406</u>
Net Pension Liability:					
STRS	6,474,264	-	(198,658)	6,275,606	-
SERS	1,937,764	-	(6,509)	1,931,255	-
Total Net Pension Liability	<u>8,412,028</u>	<u>-</u>	<u>(205,167)</u>	<u>8,206,861</u>	<u>-</u>
Net OPEB Liability:					
STRS	-	-	-	-	-
SERS	947,064	-	(117,541)	829,523	-
Total Net OPEB Liability	<u>947,064</u>	<u>-</u>	<u>(117,541)</u>	<u>829,523</u>	<u>-</u>
Capital Leases	-	80,800	(40,400)	40,400	19,828
Compensated Absences	446,988	554,891	(473,101)	528,778	41,280
Total General Long-Term Obligations	<u>\$ 15,107,659</u>	<u>\$ 635,691</u>	<u>\$ (1,135,991)</u>	<u>\$ 14,607,359</u>	<u>\$ 338,514</u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$470,006 as of June 30, 2020.

School Improvement Refunding Bonds 2014

The School District issued \$5,194,997 in general obligation bonds, advance refunding \$5,195,000 of the School Improvement Refunding Bonds, Series 2006. The bonds were issued for a 19 year period with final maturity on December 1, 2033. The bonds are being retired with property taxes from the Debt Service Fund.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The advance refunding of the 2006 School Improvement Bonds resulted in a difference of \$335,610 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method.

The School District defeased \$5,195,000 of the 2006 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds were not included in the School District's financial statements and have been paid in full.

The 2014 bonds are broken out as follows. \$4,495,000 are current interest (serial) bonds to be redeemed over a period through December 1, 2033. \$690,000 are current interest (term) bonds to be redeemed on December 1, 2029. \$9,997 are capital appreciation bonds of which \$4,027 matured on December 1, 2016 and the other \$5,970 matured December 1, 2017. These bonds have an equivalent interest rate of 178.10540% and one matured at full value of \$50,000 on December 1, 2016 and the other matured at full value of \$265,000 on December 1, 2017.

The current interest (term) bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year	Amount
2029	\$340,000
2030	350,000
Total	<u>\$690,000</u>

On September 9, 2013, the District entered into a real estate purchase agreement with David and Sandra Brinkman for the purpose of acquiring 10.58 acres of land. The loan totaled \$74,060 and is to be paid over ten years in installments of \$7,406 maturing in fiscal year 2023. The loan will be paid from the permanent improvement fund. This land was purchased for the purpose of generating power provided by Solar Advocate Development-31, LLC from solar panels placed on the land. The solar panels used will remain owned by Solar Advocate Development-31, LLC; however, the power generated will be used and charged to the District for a discounted rate.

Principal and interest requirements to retire the school improvement refunding bonds outstanding and the land purchase loan at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	School Improvement Refunding Bonds 2014		Land Purchase Loan	Total
	Principal	Interest	Principal	
2021	\$ 270,000	\$ 152,650	\$ 7,406	\$ 430,056
2022	280,000	147,150	7,406	434,556
2023	285,000	140,788	7,406	433,194
2024	290,000	132,875	-	422,875
2025	300,000	124,025	-	424,025
2026-2030	1,640,000	466,863	-	2,106,863
2031-2034	1,545,000	126,700	-	1,671,700
Total	<u>\$ 4,610,000</u>	<u>\$ 1,291,051</u>	<u>\$ 22,218</u>	<u>\$ 5,923,269</u>

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Compensated absences will be paid from the General Fund.

During 2020, The School District entered into a lease purchase agreement for a school bus. The lease term is 3 years. The annual rate for the lease is 3.75%

The School District's overall legal debt margin was \$7,521,726 with an unvoted debt margin of \$115,578 at June 30, 2020.

NOTE 15 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2020, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	\$76,614	\$0
Non-major Funds:		
Miscellaneous State Grants	0	4,760
Special Education	0	33,866
Miscellaneous Federal Grants	0	1,043
Early Childhood	0	3,552
Title I	0	33,393
Total	\$76,614	\$76,614

The interfund receivables in the General fund are the result of the School District moving unrestricted monies to a grant fund which operates on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue fund.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Hamilton Clermont Cooperative Information Technology Center

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization among a two-county consortium of school districts. HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee is the managerial body responsible for directing and supervising the daily operation of HCC. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each county educational service center (ESC), one treasurer from each county, and the treasurer from each county ESC serving as on-voting ex officio members. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

B. Southern Hills Joint Vocational School District

The Southern Hills Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. It is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School District. A board member is appointed by each local Board of Education within the Southern Hills Joint Vocational School District, including Fayetteville-Perry Local School District. To obtain financial information, write to the Southern Hills Joint Vocational School District, Kari Barnes, who serves as Treasurer, at 9193 Hamer Road, Georgetown, Ohio 45121.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Unified Purchasing Cooperative of the Ohio River Valley

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of public school districts, joint vocational school districts, and educational service centers in Brown, Butler, Clermont, Hamilton, and Warren Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent.

Financial information can be obtained from Megan Jackson, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

NOTE 17 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville–Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg–Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members’ employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership.

For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district’s dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district’s claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231 Hamer Rd., Georgetown, Ohio 45121.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 18 - INSURANCE PURCHASING POOL

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

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

The GRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	150,830
Current Year Offsets	(150,830)
Total	\$0
Balance Carried Forward to Fiscal Year 2021	\$0
Set Aside Reserve Balance as of June 30, 2020	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any legal proceedings.

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 20 – CONTINGENCIES (continued)

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) 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. As of the date of this report, an ODE adjustment for fiscal year 2020 was finalized and determined to not be significant, therefore the adjustment was not recorded in the accompanying financial statements. Additional ODE adjustments for fiscal year 2020 have not been finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to or liability of, the School District.

NOTE 21 – COMMITMENTS

Encumbrances

At June 30, 2020, the School District had significant encumbrance commitments in the following governmental funds:

<u>Fund</u>	<u>Amount</u>
Major Fund:	
General	\$245,448
Non-Major Fund:	
Permanent Improvement	<u>56,766</u>
Total Encumbrances	<u><u>\$302,214</u></u>

NOTE 22 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2020, the Educational Service Center has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 84, Fiduciary Activities
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates

The following statement is postponed by 18 months:

- Statement No. 87, Leases

Fayetteville-Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 23 - OTHER MATTERS OF POTENTIAL SIGNIFICANCE

The United States and the State of Ohio declared a state of emergency in March 2020 due to the global Coronavirus Disease 2019 (COVID-19) pandemic. The financial impact of COVID-19 will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

The School District's investments of the pension and other employee benefit plan in which the School District participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

NOTE 24 – LEASE OBLIGATION

During the current fiscal year, the School District entered into a lease for the purpose of leasing a bus. Capital assets under this lease have been capitalized in the amount \$80,800. The lease will be paid from the Permanent Improvement Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2020 are as follows:

Year Ending June 30	Amount
2021	\$21,343
2022	21,343
Total	42,686
Less: Amount Representing Interest	(2,286)
Present Value of Net Minimum Lease Payments	<u>\$ 40,400</u>

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Fayetteville-Perry Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
Total plan pension liability	\$20,527,251,448	\$19,997,700,966	\$19,588,417,687	\$19,770,708,121	\$18,503,280,961	\$17,881,827,171	\$17,247,161,078
Plan net position	14,544,076,104	14,270,515,748	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,983,175,344	5,727,185,218	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0322781%	0.0338345%	0.0319724%	0.0340872%	0.0354184%	0.0363170%	0.0363170%
School District's proportionate share of the net pension liability	\$ 1,931,255	\$ 1,937,764	\$ 1,910,280	\$ 2,494,869	\$ 2,021,008	\$ 1,837,983	\$ 2,159,655
School District's covered payroll	\$ 1,107,341	\$ 1,088,896	\$ 1,071,950	\$ 1,058,621	\$ 1,066,244	\$ 1,109,733	\$ 1,503,656
School District's proportionate share of the net pension liability as a percentage of its covered payroll	174.40%	177.96%	178.21%	235.67%	189.54%	165.62%	143.63%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
Total plan pension liability	\$ 97,840,944,397	\$ 96,904,056,552	\$ 96,126,440,462	\$ 100,756,422,489	\$ 99,014,653,744	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	75,726,545,352	74,916,301,830	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	22,114,399,045	21,987,754,722	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.02837792%	0.02944486%	0.02822545%	0.02923305%	0.03131352%	0.03077889%	0.03077889%
School District's proportionate share of the net pension liability	\$ 6,275,606	\$ 6,474,264	\$ 6,705,016	\$ 9,785,183	\$ 8,654,141	\$ 7,486,491	\$ 8,917,859
School District's covered payroll	\$ 3,331,679	\$ 3,347,386	\$ 3,103,043	\$ 3,075,879	\$ 3,267,043	\$ 3,144,846	\$ 3,282,254
School District's proportionate share of the net pension liability as a percentage of its covered payroll	188.36%	193.41%	216.08%	318.13%	264.89%	238.06%	271.70%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available. Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 156,245	\$ 149,491	\$ 147,001	\$ 150,073	\$ 148,207	\$ 140,531	\$ 146,263	\$ 208,106	\$ 129,034	\$ 120,552
Contributions in relation to the contractually required contribution	(156,245)	(149,491)	(147,001)	(150,073)	(148,207)	(140,531)	(146,263)	(208,106)	(129,034)	(120,552)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 1,116,036	\$ 1,107,341	\$ 1,088,896	\$ 1,071,950	\$ 1,058,621	\$ 1,066,244	\$ 1,109,733	\$ 1,503,656	\$ 959,361	\$ 959,045
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 474,532	\$ 466,435	\$ 468,634	\$ 434,426	\$ 430,623	\$ 457,386	\$ 408,830	\$ 426,693	\$ 412,553	\$ 416,512
Contributions in relation to the contractually required contribution	(474,532)	(466,435)	(468,634)	(434,426)	(430,623)	(457,386)	(408,830)	(426,693)	(412,553)	(416,512)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered payroll	\$ 3,389,514	\$ 3,331,679	\$ 3,347,386	\$ 3,103,043	\$ 3,075,879	\$ 3,267,043	\$ 3,144,846	\$ 3,282,254	\$ 3,173,485	\$ 3,203,938
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Four Years (1)

	2020	2019	2018	2017
Total plan OPEB liability	\$ 2,978,600,373	\$ 3,209,899,769	\$ 3,065,846,821	\$ 3,220,574,434
Plan net position	463,810,679	435,629,637	382,109,560	370,204,515
Net OPEB liability	2,514,789,694	2,774,270,132	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.03298580%	0.03413740%	0.03240520%	0.03452670%
School District's proportionate share of the net OPEB liability	\$ 829,523	\$ 947,064	\$ 869,670	\$ 984,139
School District's covered payroll	\$ 1,107,341	\$ 1,088,896	\$ 1,071,950	\$ 1,058,621
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.91%	86.97%	81.13%	92.96%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Four Years (1)

	2020	2019	2018	2017
Total plan OPEB liability	\$ 2,215,918,000	\$ 2,114,451,000	\$ 7,377,410,000	\$ 8,533,654,000
Plan net position	3,872,158,000	3,721,349,000	3,475,779,000	3,185,628,000
Net OPEB liability (asset)	(1,656,240,000)	(1,606,898,000)	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability (asset)	0.028837792%	0.02944486%	0.02822545%	0.02923305%
School District's proportionate share of the net OPEB liability (asset)	\$ (470,006)	\$ (473,149)	\$ 1,101,253	\$ 1,563,391
School District's covered payroll	\$ 3,331,679	\$ 3,347,386	\$ 3,103,043	\$ 3,075,879
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-14.11%	-14.13%	35.49%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	174.74%	176.00%	47.11%	37.33%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.
See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Contributions for OPEB
School Employees Retirement System of Ohio
Last Five Years (1)

	2020	2019	2018	2017	2016
Contractually required contribution	\$ 21,028	\$ 25,232	\$ 23,051	\$ 17,479	\$ 17,398
Contributions in relation to the contractually required contribution	<u>(21,028)</u>	<u>(25,232)</u>	<u>(23,051)</u>	<u>(17,479)</u>	<u>(17,398)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 1,116,036	\$ 1,107,341	\$ 1,088,896	\$ 1,071,950	\$ 1,058,621
Contributions as a percentage of covered payroll	1.88%	2.28%	2.12%	1.63%	1.64%

(1) Information prior to 2016 is not available.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Contributions for OPEB
State Teachers Retirement System of Ohio
Last Five Years (1)

	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered payroll	\$ 3,389,514	\$ 3,331,679	\$ 3,347,386	\$ 3,103,043	\$ 3,075,879
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Pension

School Employees Retirement System (SERS)

Changes in benefit terms

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

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

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

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

Changes in assumptions

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

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

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

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

State Teachers Retirement System (STRS)

Changes in benefit terms

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

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

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

Changes in assumptions

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

Fayetteville-Perry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Pension (continued)

State Teachers Retirement System (STRS) (continued)

Changes in assumptions (continued)

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

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

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

OPEB

School Employees Retirement System (SERS)

Changes in benefit terms

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

Changes in assumptions

2020: The discount rate was changed from 3.70% to 3.22%

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

- (1) The discount rate was changed from 3.63% to 3.70%
- (2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Prior Measurement Date	3.63%
Measurement Date	3.70%

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

- (1) Discount Rate:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%
- (2) Municipal Bond Index Rate:

Fiscal Year 2018	3.56%
Fiscal Year 2017	2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

Fayetteville-Perry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

OPEB (Continued)

School Employees Retirement System (SERS) (Continued)

Changes in assumptions (continued)

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

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

State Teachers Retirement System (STRS)

Changes in benefit terms

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

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

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

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

Changes in assumptions

2020: There were no changes in assumptions since the prior measurement date of June 30, 2018.

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

Fayetteville-Perry Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

State Teachers Retirement System (STRS) (Continued)

Changes in assumptions (continued)

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

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

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$ 27,442
Cash Assistance:			
National School Breakfast Program	10.553	3L70	29,813
National School Breakfast Program-COVID 19	10.553	3L70	34,880
National School Lunch Program	10.555	3L60	92,840
National School Lunch Program-COVID 19	10.555	3L60	58,964
Total Child Nutrition Cluster			243,939
Total U.S. Department of Agriculture			243,939
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
IDEA Part B	84.027	3M20-2019	69,009
IDEA Part B	84.027	3M20-2020	165,620
IDEA Part B – Restoration	84.027	3M20-2020	19,278
Special Education-Preschool Grants	84.173	3C50	4,793
Total Special Education Cluster			258,700
Title I Grants to Local Educational Agencies	84.010	3M00-2019	10,024
Title I Grants to Local Educational Agencies	84.010	3M00-2020	149,863
Title I Grants to LEAs-Quality Improvement	84.010	3M00-2019	48,481
Title I Grants to LEAs-Quality Improvement	84.010	3M00-2020	79,830
Total Title I			288,198
Title IIA - Improving Teacher Quality	84.367	3Y60-2020	5,697
Student Support and Academic Enrichment	84.424	3HI0	10,678
Total U.S. Department of Education			563,273
Total Expenditures of Federal Award			\$807,212

The accompanying notes are an integral part of this schedule.

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED June 30, 2020**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Fayetteville-Perry Local School District
Brown County
551 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayetteville-Perry Local School District, Brown County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2021 wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 3, 2021

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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

Fayetteville-Perry Local School District
Brown County
551 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Fayetteville-Perry Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Fayetteville-Perry Local School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, Fayetteville-Perry Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal programs' compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio
March 3, 2021

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title 1; 84.010 Special Education Cluster; 84.027 and 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

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 2020-001
(Continued)**

The following misstatement was identified, which was material to the financial statements:

- Intergovernmental Revenue was overstated in the General fund and understated in Other Governmental Funds by \$26,513.

Additionally, the following misstatements were identified that were not material to Governmental Activities on the financial statements:

- Pension Expense was understated by \$402,470.
- Deferred Inflows of Resources for Pension was understated by \$152,194.
- Deferred Outflows of Resources for Pension was overstated by \$161,081.
- Other Post Employment Benefits Expense was understated by \$14,187.
- Deferred Inflows of Resources for Other Post Employment Benefits was overstated by \$31,444.
- Deferred Outflows of Resources for Other Post Employment Benefits was overstated by \$6,597.
- Unrestricted Net Position was overstated by \$160,199.

The financial statements and accounting records have been adjusted for these errors, where applicable.

Failure to properly record financial activity results in misstatements in the financial statements.

We recommend that the District exercise due care when posting entries to the accounting records and preparing financial statements.

Officials' Response:

We acknowledge the finding in the FY20 Audit for Fayetteville Perry Local Schools. Whereas \$26,513.10 was posted to the General Fund and should have been posted to the 034 Classroom Facilities Fund which was an entry error. We will encompass safeguards that will assist us in avoiding potential posting errors in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

FAYETTEVILLE-PERRY LOCAL SCHOOLS

551 South Apple Street
Fayetteville, OH 45118

Tim S. Carlier
Local Superintendent
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Lisa C. Tussey
Treasurer
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Fax (513) 875-2703
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CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **June 30, 2020**

Finding Number: 2020-001

Planned Corrective Action: The adjustment was posted to the accounting system and we will encompass safeguards that will assist us in avoiding potential posting errors in the future.

Anticipated Completion Date: The adjustment was made in the accounting system on February 24, 2021.

Responsible Contact Person: Lisa Tussey, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT

BROWN 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 3/18/2021

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

This report is a matter of public record and is available online at
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