OHIO AUDITOR OF STATE
KEITH FABER

FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY

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HIGHLAND COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Fairfield Local School District, Highland County, Ohio (the District), as of and for the year ended June 30, 2021, 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, 2021, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022, 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

Keith Faber
Auditor of State
Columbus, Ohio
September 12, 2022

As management of the Fairfield Local School District, we offer readers of the Fairfield Local School District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here to enhance their understanding of the School District's financial performance.

Financial Highlights

In total, governmental net position decreased $94,172.

Expenses increased primarily due to the School District giving a two percent base increase in salaries and changes in assumptions and benefits associated with the Statewide pension systems.

Operating grants, contributions and interest increased mainly due to the School District receiving COVID-19 grant monies during fiscal year 2021.

Using the Basic Financial Statements

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 of the School District are the General Fund, the Debt Service Fund, and the Capital Projects Fund.

Reporting the Fairfield Local School District as a Whole

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 demonstrates how the School District did financially during fiscal year 2021. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows 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 net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Some factors may be financial while others such as mandated educational programs are non-financial factors.

Reporting the Fairfield Local School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds, which are the General Fund, the Debt Service Fund, and the Capital Projects Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general 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.

Proprietary Funds – The School District maintains proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service funds account for health self-insurance. The proprietary funds use the accrual basis of accounting.

Fiduciary Funds – The School District's only fiduciary fund is a custodial fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to fiscal year 2020.

Table 1
Net Position
Governmental Activities

	2021	2020	Change
Assets			
Current and Other Assets	$13,338,553	$12,154,634	$1,183,919
Net OPEB Asset	608,530	563,737	44,793
Capital Assets	15,928,691	16,517,906	(589,215)
Total Assets	29,875,774	29,236,277	639,497
Deferred Outflows of Resources			
Pension	2,136,569	2,204,895	(68,326)
OPEB	364,887	301,170	63,717
Total Deferred Outflows of Resources	2,501,456	2,506,065	(4,609)
Liabilities			
Current and Other Liabilities	1,207,808	979,052	228,756
Long-term Liabilities:			
Due Within One Year	498,791	475,067	23,724
Due in More Than One year:			
Net Pension Liability	11,069,482	9,981,781	1,087,701
Net OPEB Liability	919,138	1,056,733	(137,595)
Other Amounts	4,548,335	5,042,354	(494,019)
Total Liabilities	18,243,554	17,534,987	708,567
Deferred Inflows of Resources			
Deferred Gain on Refunding	114,499	125,490	(10,991)
Property Taxes	2,200,516	2,020,535	179,981
Pension	67,203	431,976	(364,773)
OPEB	1,189,808	973,532	216,276
Total Deferred Inflows of Resources	3,572,026	3,551,533	20,493
Net Position			
Net Investment in Capital Assets	11,219,123	11,347,189	(128,066)
Restricted	1,979,248	1,447,835	531,413
Unrestricted (Deficit)	(2,636,721)	(2,139,202)	(497,519)
Total Net Position	$10,561,650	$10,655,822	($94,172)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The School District has also adopted 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 to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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*. 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.

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.

Overall, an increase of $639,497 occurred within total assets when compared to the prior fiscal year. Current and other assets increased $1,183,919 mainly as a result of an increase in cash and cash equivalents. This increase is due to total revenues exceeding expenditures during the fiscal year. Capital Assets, Net decreased $589,215, due primarily to depreciation and deletions exceeding additions during the fiscal year.

Total Liabilities increased $708,567 for fiscal year 2021, mostly due to an increase in net pension liability due to changes in assumptions and changes in benefit terms by the Statewide pension systems.

Restricted Net Position increased mainly due to an increase in state and local grant monies, and federal grant monies. Unrestricted Net Position for governmental activities decreased $497,519 mainly due to changes in assumptions and benefits associated with the Statewide pension systems.

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 and operating grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2021 and 2020.

Table 2
Changes in Net Position
Governmental Activities

	2021	2020	Change
Revenues			
Program Revenues:			
Charges for Services	$1,297,747	$1,210,387	$87,360
Operating Grants, Contributions and Interest	2,252,993	1,629,402	623,591
Total Program Revenues	3,550,740	2,839,789	710,951
General Revenues:			
Property Taxes	2,296,659	2,282,821	13,838
Grants and Entitlements	7,863,770	7,739,543	124,227
Investment Earnings	59,889	198,938	(139,049)
Miscellaneous	250,398	123,135	127,263
Total General Revenues	10,470,716	10,344,437	126,279
Total Revenues	14,021,456	13,184,226	837,230
Program Expenses			
Instruction:			
Regular	6,266,087	5,695,725	570,362
Special	1,820,970	1,773,546	47,424
Vocational	242,752	195,846	46,906
Support Services:			
Pupils	721,057	707,755	13,302
Instructional Staff	429,117	453,701	(24,584)
Board of Education	35,768	121,864	(86,096)
Administration	1,140,315	1,163,675	(23,360)
Fiscal	416,809	458,830	(42,021)
Operation and Maintenance of Plant	1,221,882	1,128,575	93,307
Pupil Transportation	752,886	749,415	3,471
Central	172,153	202,890	(30,737)
Operation of Non-Instructional Services:			
Food Service Operations	493,383	438,367	55,016
Extracurricular Activities	292,082	298,203	(6,121)
Interest and Fiscal Charges	110,367	256,619	(146,252)
Total Expenses	14,115,628	13,645,011	470,617
Change in Net Position	(94,172)	(460,785)	366,613
Net Position Beginning of Year	10,655,822	11,116,607	(460,785)
Net Position End of Year	$10,561,650	$10,655,822	($94,172)

Overall, revenues increased $837,230. Operating grants, contributions and interest increased $623,591 mainly due to the School District receiving COVID-19 grant monies during fiscal year 2021.

Expenses for the School District increased $470,617 primarily due to the School District giving a two percent base increase in salaries and changes in assumptions and benefits associated with the Statewide pension systems.

The School District's Funds

Information about the School District's major funds starts on page 13. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $13,973,293 and expenditures of $13,139,632.

The fund balance in the General Fund increased $42,201, which is insignificant.

The fund balance in the Debt Service Fund increased $72,245, which is insignificant.

The fund balance in the Capital Projects Fund increased $534,941 mainly due to a transfer from the General fund.

Overall, governmental fund revenues exceeded expenditures by $833,661 during the fiscal year due to the School District monitoring spending.

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. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated fund balance was $686,845 more than the final budgeted amount for the General Fund. Final budgeted expenditures were $254,681 more than actual expenditures mainly due to the School District monitoring expenses throughout the fiscal year. Original budgeted expenditures were $349,318 less than final budgeted expenditures. This was primarily due to an increase in regular instruction. Original budgeted revenues were $1,132,747 less than final budgeted revenues, which is mainly due to an increase in Intergovernmental revenue.

Capital Assets

At the end of fiscal year 2021, the School District had $15,928,691 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. Net capital assets decreased $589,215 from the prior fiscal year. This was due to additions for the current fiscal year being less than depreciation expense. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2021, the School District had outstanding general obligation bonds in the amount of $4,111,000, for the purpose of paying for new construction, improvements and renovations to school facilities. In addition, the School District's long term obligations include capital leases in the amount of $232,290 and compensated absences of $464,054.

The School District's overall legal debt margin was $3,329,093 with an unvoted debt margin of $94,196 at June 30, 2021.

For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

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 Deb Lawwell, Treasurer, Fairfield Local School District, 11611 S.R. 771, Leesburg, Ohio, 45135.

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

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$10,670,271
Materials and Supplies Inventory	365
Accrued Interest Receivable	1,449
Inventory Held for Resale	6,966
Prepaid Items	11,897
Accounts Receivable	5,513
Intergovernmental Receivable	116,332
Taxes Receivable	2,525,760
Net OPEB Asset	608,530
Capital Assets:	
Land and Construction in Progress	438,190
Depreciable Capital Assets, Net	15,490,501
Total Assets	29,875,774
Deferred Outflows of Resources:	
Pension	2,136,569
OPEB	364,887
Total Deferred Outflows of Resources	2,501,456
Liabilities:	
Accounts Payable	66,373
Accrued Wages and Benefits Payable	690,889
Intergovernmental Payable	213,279
Matured Compensated Absences Payable	23,126
Contracts Payable	48,215
Accrued Interest Payable	10,195
Claims Payable	155,731
Long-Term Liabilities:	
Due Within One Year	498,791
Due in More Than One Year:	
Net Pension Liability	11,069,482
Net OPEB Liability	919,138
Other Amounts	4,548,335
Total Liabilities	18,243,554
Deferred Inflows of Resources:	
Deferred Gain on Refunding	114,499
Property Taxes	2,200,516
Pension	67,203
OPEB	1,189,808
Total Deferred Inflows of Resources	3,572,026
Net Position:	
Net Investment in Capital Assets	11,219,123
Restricted for:	
Debt Payments	1,066,790
Food Service	109,696
Capital Maintenance	250,565
Scholarships	21,327
Miscellaneous Grants	389,909
Extracurricular	19,597
Student Managed Activities	75,229
Donations	589
Endowment:	
Expendable	126
Nonexpendable	45,420
Unrestricted (Deficit)	(2,636,721)
Total Net Position	$10,561,650

See Accompanying Notes to the Basic Financial Statements

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

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$6,266,087	$1,102,379	$303,223	($4,860,485)
Special	1,820,970	0	899,343	(921,627)
Vocational	242,752	0	90,721	(152,031)
Support Services:				
Pupils	721,057	0	328,401	(392,656)
Instructional Staff	429,117	0	11,052	(418,065)
Board of Education	35,768	0	0	(35,768)
Administration	1,140,315	0	0	(1,140,315)
Fiscal	416,809	0	0	(416,809)
Operation and Maintenance of Plant	1,221,882	0	16,420	(1,205,462)
Pupil Transportation	752,886	0	107,651	(645,235)
Central	172,153	0	5,400	(166,753)
Operation of Non-Instructional Services:				
Food Service Operations	493,383	76,422	453,760	36,799
Extracurricular Activities	292,082	118,946	37,022	(136,114)
Interest and Fiscal Charges	110,367	0	0	(110,367)
Total Governmental Activities	$14,115,628	$1,297,747	$2,252,993	(10,564,888)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,730,627
Debt Service	535,657
Classroom Facilities Maintenance	30,375
Grants and Entitlements not Restricted to Specific Programs	7,863,770
Investment Earnings	59,889
Miscellaneous	250,398
Total General Revenues	10,470,716
Change in Net Position	(94,172)
Net Position at Beginning of Year	10,655,822
Net Position at End of Year	$10,561,650

See Accompanying Notes to the Basic Financial Statements

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	$6,996,257	$990,551	$1,431,356	$1,203,992	$10,622,156
Inventory Held for Resale	0	0	0	6,966	6,966
Materials and Supplies Inventory	0	0	0	365	365
Receivables:					
Taxes Receivable	1,868,962	519,420	0	137,378	2,525,760
Intergovernmental	4,779	0	0	111,553	116,332
Accrued Interest	1,449	0	0	0	1,449
Accounts Receivable	5,513	0	0	0	5,513
Interfund	866,297	0	0	0	866,297
Prepaid Items	11,897	0	0	0	11,897
Total Assets	$9,755,154	$1,509,971	$1,431,356	$1,460,254	$14,156,735
Liabilities:					
Accounts Payable	$14,837	$0	$48,200	$3,336	$66,373
Accrued Wages and Benefits Payable	608,323	0	0	82,566	690,889
Interfund Payable	0	0	800,000	66,297	866,297
Intergovernmental Payable	191,290	0	0	21,989	213,279
Matured Compensated Absences Payable	23,126	0	0	0	23,126
Contracts Payable	0	0	48,215	0	48,215
Total Liabilities	837,576	0	896,415	174,188	1,908,179
Deferred Inflows of Resources:					
Property Taxes	1,634,372	432,986	0	133,158	2,200,516
Unavailable Revenue	135,391	39,420	0	91,686	266,497
Total Deferred Inflows of Resources	1,769,763	472,406	0	224,844	2,467,013
Fund Balances:					
Nonspendable	11,897	0	0	45,785	57,682
Restricted	0	1,037,565	0	855,045	1,892,610
Assigned	1,037,932	0	534,941	285,916	1,858,789
Unassigned (Deficit)	6,097,986	0	0	(125,524)	5,972,462
Total Fund Balances	7,147,815	1,037,565	534,941	1,061,222	9,781,543
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$9,755,154	$1,509,971	$1,431,356	$1,460,254	$14,156,735

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances		$9,781,543
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,928,691
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	177,189	
Intergovernmental	89,308	
Total		266,497
The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	608,530	
Deferred Outflows - Pension	2,136,569	
Deferred Outflows - OPEB	364,887	
Net Pension Liability	(11,069,482)	
Net OPEB Liability	(919,138)	
Deferred Inflows - Pension	(67,203)	
Deferred Inflows - OPEB	(1,189,808)	
Total		(10,135,645)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		(107,616)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(10,195)
Deferred Outflows/Inflows of Resources represent deferred charges/gain on refundings which do not provide current financial resources and therefore are not reported in the funds.		(114,499)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Refunding Bonds payable	(4,111,000)	
Premium on debt issuance	(239,782)	
Capital Leases payable	(232,290)	
Compensated absences	(464,054)	
Total		(5,047,126)
Net Position of Governmental Activities		$10,561,650

See Accompanying Notes to the Basic Financial Statements

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	$1,761,072	$544,588	$0	$30,902	$2,336,562
Intergovernmental	8,439,112	32,864	0	1,538,364	10,010,340
Investment Earnings	59,889	0	0	124	60,013
Tuition and Fees	1,093,394	0	0	0	1,093,394
Extracurricular Activities	8,985	0	0	118,946	127,931
Customer Services	0	0	0	76,422	76,422
Gifts and Donations	254	0	0	17,979	18,233
Miscellaneous	234,694	0	0	15,704	250,398
Total Revenues	11,597,400	577,452	0	1,798,441	13,973,293
Expenditures:					
Current:					
Instruction:					
Regular	5,014,650	0	130,948	322,044	5,467,642
Special	1,250,355	0	0	394,744	1,645,099
Vocational	194,083	0	0	6,218	200,301
Support Services:					
Pupils	666,946	0	0	34,329	701,275
Instructional Staff	326,663	0	0	12,147	338,810
Board of Education	35,768	0	0	0	35,768
Administration	986,154	0	0	0	986,154
Fiscal	358,973	18,148	0	1,119	378,240
Operation and Maintenance of Plant	923,175	0	164,802	66,590	1,154,567
Pupil Transportation	598,203	0	21,109	80,477	699,789
Central	164,643	0	0	5,400	170,043
Operation of Non-Instructional Services:					
Food Service Operations	6,246	0	0	437,871	444,117
Extracurricular Activities	93,457	0	0	177,303	270,760
Capital Outlay	14,200	0	48,200	180	62,580
Debt Service:					
Principal Retirement	0	357,000	0	87,880	444,880
Interest and Fiscal Charges	0	130,059	0	9,548	139,607
Total Expenditures	10,633,516	505,207	365,059	1,635,850	13,139,632
Excess of Revenues Over (Under) Expenditures	963,884	72,245	(365,059)	162,591	833,661
Other Financing Sources (Uses):					
Transfers In	0	0	900,000	21,683	921,683
Transfers Out	(921,683)	0	0	0	(921,683)
Total Other Financing Sources (Uses)	(921,683)	0	900,000	21,683	0
Net Change in Fund Balances	42,201	72,245	534,941	184,274	833,661
Fund Balances at Beginning of Year	7,105,614	965,320	0	876,948	8,947,882
Fund Balances at End of Year	$7,147,815	$1,037,565	$534,941	$1,061,222	$9,781,543

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds		$833,661
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	251,258	
Construction in progress additions	38,990	
Depreciation expense	(878,343)	
Excess of depreciation over capital outlay expense		(588,095)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.		
Loss on Disposal of Capital Assets		(1,120)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.		
Delinquent Property Taxes	(39,903)	
Intergovernmental	88,066	
Total		48,163
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	846,707	
OPEB	29,369	
Total		876,076
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability (asset) are reported as pension expense in the Statement of Activities.		
Pension	(1,637,961)	
OPEB	460	
Total		(1,637,501)
Accretion and amortization of bond premiums, the deferred loss/gain on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.		
Amortization of gain on refunding	10,991	
Amortization of bond premium	17,275	
Accrued Interest on bonds	974	
Total		29,240
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, this amount consisted of:		
Bond principal retirement	357,000	
Capital Lease payment	87,880	
Total		444,880
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences		8,140
Internal funds are not reported in the entity-wide Statement of Activities. The net income of the internal service funds is reported with governmental activities.		(107,616)
Change in Net Position of Governmental Activities		($94,172)

See Accompanying Notes to the Basic Financial Statements

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$1,603,548	$1,733,571	$1,752,421	$18,850
Intergovernmental	7,772,539	8,422,331	8,448,560	26,229
Interest	88,728	77,451	78,843	1,392
Tuition and Fees	908,919	1,092,479	1,093,394	915
Extracurricular Activities	24,619	12,500	8,985	(3,515)
Gifts and Donations	705	50	254	204
Miscellaneous	48,127	241,550	241,322	(228)
Total Revenues	10,447,185	11,579,932	11,623,779	43,847
Expenditures:				
Current:				
Instruction:				
Regular	4,662,579	5,052,491	5,030,522	21,969
Special	1,117,543	1,120,150	1,260,783	(140,633)
Vocational	189,629	182,035	192,215	(10,180)
Support Services:				
Pupils	647,351	692,840	672,353	20,487
Instructional Staff	390,033	459,633	325,490	134,143
Board of Education	124,430	125,744	65,453	60,291
Administration	999,068	1,043,724	979,406	64,318
Fiscal	390,677	386,043	408,594	(22,551)
Operation and Maintenance of Plant	969,395	975,878	1,005,789	(29,911)
Pupil Transportation	775,473	734,121	629,669	104,452
Central	186,471	209,740	178,872	30,868
Operation of Non-Instructional Services:				
Food Service Operations	850	850	2,745	(1,895)
Community Services	3,774	4,055	3,703	352
Extracurricular Activities	121,384	119,175	90,204	28,971
Capital Outlay	186,704	8,200	14,200	(6,000)
Total Expenditures	10,765,361	11,114,679	10,859,998	254,681
Excess of Revenues Over (Under) Expenditures	(318,176)	465,253	763,781	298,528
Other Financing Sources (Uses):				
Transfers Out	0	0	(21,683)	(21,683)
Advances In	0	0	10,000	10,000
Advances Out	(850,000)	(1,200,000)	(800,000)	400,000
Total Other Financing Sources (Uses)	(850,000)	(1,200,000)	(811,683)	388,317
Net Change in Fund Balance	(1,168,176)	(734,747)	(47,902)	686,845
Fund Balance at Beginning of Year	6,603,983	6,603,983	6,603,983	0
Prior Year Encumbrances Appropriated	310,759	310,759	310,759	0
Fund Balance at End of Year	$5,746,566	$6,179,995	$6,866,840	$686,845

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2021

	Internal Service
Assets:	
Equity in Pooled Cash and Cash Equivalents	$48,115
Liabilities:	
Claims Payable	155,731
Net Position:	
Unrestricted (Deficit)	($107,616)

See accompanying notes to the basic financial statements

Fairfield Local School District
Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2021

	Internal Service
Operating Revenues:	
Charges for Services	$220,403
Operating Expenses:	
Claims	328,019
Change in Net Position	(107,616)
Net Position at Beginning of Year	0
Net Position (Deficit) at End of Year	($107,616)

See accompanying notes to the basic financial statements

Fairfield Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2021

	Internal Service
Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	$220,403
Cash Payments for Employees Medical Insurance Claims	(172,288)
Net Increase in Cash and Cash Equivalents	48,115
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	$48,115
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	($107,616)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase (Decrease) in Liabilities:	
Claims Payable	155,731
Total Adjustments	155,731
Net Cash Provided by Operating Activities	$48,115

See accompanying notes to the basic financial statements

Fairfield Local School District
Statement of Fiduciary Net Position
Custodial Funds
June 30, 2021

	Custodial
Assets:	
Equity in Pooled Cash and Cash Equivalents	$6,050
Liabilities:	
Accounts Payable	$6,050

See Accompanying Notes to the Basic Financial Statements

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

	Custodial Fund
Additions:	
Gifts and Donations	$6,050
Deductions:	
Non-Instructional Services	6,050
Change in Net Position	0
Net Position at Beginning of Year	0
Net Position at End of Year	$0

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fairfield 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 Fairfield Local School District was established in 1962. The School District serves an area of approximately 53 square miles. It is located in Highland and Clinton Counties, and includes all of the Villages of Leesburg and Highland, all of Fairfield Township, portions of Penn and Liberty Townships and a portion of Wayne Township in Clinton County. The School District currently operates one instructional building and one bus garage.

Reporting Entity

A reporting entity is comprised 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 Fairfield Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 17 of the basic financial statements.

These organizations are:

Jointly Governed Organizations:
- Metropolitan Educational Technology Association (META)
- Great Oaks Institute of Technology and Career Development

Insurance Purchasing Pool:
- Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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 School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities; however, the School District 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Internal Service Fund is presented in a single column on the face of the proprietary fund statement. Fiduciary funds are reported by type.

Fund Accounting

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

Governmental Funds

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

> *General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. 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 and report the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.
>
> *Capital Projects Fund* – The Capital Projects Fund is used to account for and report monies which have been assigned by the Board of Education to be used for acquiring, constructing, or improving facilities within the School District.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds. The School District has one internal service fund for the operation of its health self-insurance.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefits) trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has one custodial fund which is used to account for a scholarship.

Measurement Focus

Government-wide Financial Statements

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

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means 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. 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, miscellaneous, investment earnings, and grants.

Deferred Outflows/Inflows of Resources:

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included deferred gain on refunding, property taxes, pension and OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 14. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 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.

Cash and Cash Equivalents

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

During fiscal year 2021, the School District’s investments were limited to STAR Ohio, commercial paper, money market mutual funds, negotiable certificates of deposit and federal home loan mortgage corporation notes. Investments, except for STAR Ohio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund’s current share price. The School District’s commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase less than one year.

During fiscal year 2021, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 the fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $100 million or more. STAR Ohio reserves the right to limit the transaction to $250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the participant will be combined for 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 2021 amounted to $59,889, which includes $14,952 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". Interfund balances are eliminated in the Statement of Net Position.

Prepaid Items

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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 $1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	20 - 40 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years
Textbooks	5 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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 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 the highest level of 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. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the fiscal year 2022 appropriated budget. The fund balance also represents public school purposes and capital improvements.

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 fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. 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.

Budgetary Process

All funds, except for custodial 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 control has been established by the Board of Education at the fund level. 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 the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were 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 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.

Bond Premiums

For governmental activities, 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 to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are classified as non-operating.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2021, the School District implemented the Governmental Accounting Standards Board's Implementation Guide Nos. 2019-1 and 2019-3. These changes were incorporated in the School District's fiscal year 2021 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - 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 Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaids	$11,897	$0	$0	$0	$11,897
Inventory	0	0	0	365	365
Endowment	0	0	0	45,420	45,420
Total Nonspendable	11,897	0	0	45,785	57,682
Restricted for:					
Debt Payment	0	1,037,565	0	0	1,037,565
Food Service	0	0	0	112,078	112,078
Capital Maintenance	0	0	0	236,190	236,190
Scholarships	0	0	0	21,327	21,327
Miscellaneous Grants	0	0	0	389,909	389,909
Extracurricular	0	0	0	19,597	19,597
Student Managed Activities	0	0	0	75,229	75,229
Donations	0	0	0	589	589
Endowment	0	0	0	126	126
Total Restricted	0	1,037,565	0	855,045	1,892,610
Assigned to:					
Capital Improvements	0	0	534,941	285,916	820,857
Future Appropriations	858,300	0	0	0	858,300
Purchases on Order	146,476	0	0	0	146,476
Public School Purpose	33,156	0	0	0	33,156
Total Assigned	1,037,932	0	534,941	285,916	1,858,789
Unassigned (Deficit):	6,097,986	0	0	(125,524)	5,972,462
Total Fund Balances	$7,147,815	$1,037,565	$534,941	$1,061,222	$9,781,543

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	
GAAP Basis	$42,201
Adjustments:	
Revenue Accruals	7,425
Expenditure Accruals	(67,449)
Encumbrances	(159,033)
Advances	(790,000)
Transfers	900,000
Increase in Fair Market Value of Investments - 2020	55,635
Increase in Fair Market Value of Investments - 2021	(36,681)
Budget Basis	($47,902)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies held by the School District can 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirement have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligation described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

<u>Investments</u>

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

Measurement/Investment	Measurement Amount	Maturity	S&P's/ Moody's Ratings	Percent of Total Investments
Net Asset Value per Share:				
STAROhio	$5,989,809	Less than one year	AAAm	N/A
Amortized Cost:				
Commercial Paper	999,324	Less than one year	P1/A1 to A1	12.41%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	16,741	Less than one year	Aaa	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	1,024,084	Less than five years	N/A	12.71%
Federal Home Loan Mortgage Corporation Notes	24,795	Less than five years	Aaa	N/A
Total Fair Value - Level Two Inputs	1,048,879			
Total	$8,054,753			

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

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years of 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:

The Standard and Poor's or Moody's rating of the School District's investments is listed in the table above. STAR Ohio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The negotiable certificates of deposit are in denominations of under $250,000 each, in separate banks, and are insured by the

Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The Discount Commerical Paper investments are rated P1/A1 to A1+ by Moody's and Standard and Poor's. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

For an investment, 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 investments are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District does not have a policy for custodial credit risk.

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 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Highland and Clinton Counties. The County Auditor's 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, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2021, 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 reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2021, was $99,199 in the General Fund, $47,014 in the Debt Service Fund, and $1,842 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds). The amount available as an advance at June 30, 2020, was $90,548 in the General Fund, $44,319 in the Debt Service Fund, and $1,700 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds).

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

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

	2020 First - Half Collections		2021 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	$90,284,060	96.82%	$90,920,790	96.52%
Public Utility Personal	2,967,210	3.18%	3,275,410	3.48%
Total Assessed Value	$93,251,270	100.00%	$94,196,200	100.00%
Tax rate per $1,000 of assessed valuation	$32.89		$32.89	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2021, consisted of property taxes, intergovernmental grants, accrued interest, accounts and interfund. 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. All receivables except delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

	Amounts
Governmental Activities:	
Medicaid Reimbursement	$4,779
Title I - A Improving Basic Programs Grant	2,507
IDEA Early Childhood Special Education Grant	3,455
IDEA B Special Education Grant	8,346
Early Literacy Grant	2,889
Expanding Opportunities for Each Child Grant	3,548
ESSER Grant	90,808
Total Intergovernmental Receivables	$116,332

NOTE 9 - CAPITAL ASSETS

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

	Balance at 6/30/20	Additions	Deductions	Balance at 6/30/21
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$399,200	$0	$0	$399,200
Construction in Progress	0	38,990	0	38,990
Total Capital Assets Not Being Depreciated	399,200	38,990	0	438,190
Capital Assets Being Depreciated:				
Land Improvements	2,167,737	0	0	2,167,737
Buildings and Improvements	23,274,032	3,953	0	23,277,985
Furniture, Fixtures and Equipment	2,352,735	145,719	(205,287)	2,293,167
Vehicles	1,034,248	101,586	(53,177)	1,082,657
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	29,799,627	251,258	(258,464)	29,792,421
Less Accumulated Depreciation:				
Land Improvements	(742,613)	(58,274)	0	(800,887)
Buildings and Improvements	(9,525,026)	(602,225)	0	(10,127,251)
Furniture, Fixtures and Equipment	(1,793,541)	(139,973)	204,167	(1,729,347)
Vehicles	(648,866)	(77,871)	53,177	(673,560)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	(13,680,921)	(878,343) *	257,344	(14,301,920)
Total Capital Assets Being Depreciated, Net	16,118,706	(627,085)	(1,120)	15,490,501
Governmental Activities Capital Assets, Net	$16,517,906	($588,095)	($1,120)	$15,928,691

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$398,225
Special	30,291
Vocational	24,149
Support Services:	
Pupils	12,685
Instructional Staff	78,948
Administration	51,411
Fiscal	16,425
Operation and Maintenance of Plant	75,906
Pupil Transportation	119,024
Central	2,110
Operation of Non-Instructional Services:	
Food Service Operations	49,047
Extracurricular Activites	20,122
Total Depreciation Expense	$878,343

NOTE 10 - RISK MANAGEMENT

Property and Liability

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

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

Employee Health Care Benefits

The School District is partially self-insured for employee health care benefits for all of its employees. The health care benefits program is currently administered by Medical Mutual, which provides claims review and processing services.

The liability for unpaid claims of $155,731 reported in the Health Self-Insurance Fund at June 30, 2021, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30, "Risk Management Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Estimates were calculated based upon an independent actuarial evaluation of claims payable. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Employees choosing Medical Mutual have an unlimited lifetime benefit with the health reimbursement account covering 75% of the deductible. The School District has a preferred provider organization insurance plan that covers all expenses above the employee out-of-pocket maximum.

Changes in claims activity for employee health care benefits for the fiscal year is as follows:

	Balance at Beginning of Fiscal Year	Current Fiscal Year Claims	Claims Payments	Balance at End of Fiscal Year
2021	$0	$328,019	$172,288	$155,731

Workers' Compensation

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group-Retrospective Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sedwick Managed Care Ohio provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to 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 *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was $215,035 for fiscal year 2021. Of this amount, $29,768 is reported as an intergovernmental payable.

<u>Plan Description - State Teachers Retirement System (STRS)</u>

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

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $631,672 for fiscal year 2021. Of this amount, $140,979 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Current Measurement Date	0.04069280%	0.03462481%	
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04102630%	0.03403712%	
Change in Proportionate Share	-0.00033350%	0.00058769%	
Proportionate Share of the Net			
Pension Liability	$2,691,508	$8,377,974	$11,069,482
Pension Expense	$354,669	$1,283,292	$1,637,961

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$5,228	$18,798	$24,026
Changes of assumptions	0	449,736	449,736
Net difference between projected and actual earnings on pension plan investments	170,856	407,422	578,278
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	13,795	224,027	237,822
School District contributions subsequent to the measurement date	215,035	631,672	846,707
Total Deferred Outflows of Resources	$404,914	$1,731,655	$2,136,569
Deferred Inflows of Resources:			
Differences between expected and actual experience	$0	$53,571	$53,571
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	13,632	0	13,632
Total Deferred Inflows of Resources	$13,632	$53,571	$67,203

$846,707 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2022	$5,039	$392,041	$397,080
2023	46,498	192,643	239,141
2024	71,217	256,451	327,668
2025	53,493	205,277	258,770
Total	$176,247	$1,046,412	$1,222,659

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Stocks	22.50	5.75
Non-US Stocks	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	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 earnings 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	$3,687,037	$2,691,508	$1,856,240

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

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

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

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$11,928,774	$8,377,974	$5,368,963

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, three members of the Board of Education have 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.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides 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 Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was $29,369.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $29,369 for fiscal year 2021. Of this amount $29,369 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.04229170%	0.03462481%	
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.04202070%	0.03403712%	
Change in Proportionate Share	0.00027100%	0.00058769%	
Proportionate Share of the			
Net OPEB (Asset)	$0	($608,530)	($608,530)
Net OPEB Liability	$919,138	$0	$919,138
OPEB Expense	$21,376	($21,836)	($460)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$12,072	$38,992	$51,064
Changes of assumptions	156,681	10,045	166,726
Net difference between projected and actual earnings on pension plan investments	10,357	21,326	31,683
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	36,288	49,757	86,045
School District contributions subsequent to the measurement date	29,369	0	29,369
Total Deferred Outflows of Resources	$244,767	$120,120	$364,887
Deferred Inflows of Resources:			
Differences between expected and actual experience	$467,445	$121,210	$588,655
Changes of assumptions	23,151	578,002	601,153
Total Deferred Inflows of Resources	$490,596	$699,212	$1,189,808

$29,369 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 in the year ending June 30, 2022. 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:			
2022	($54,403)	($142,794)	($197,197)
2023	(53,654)	(128,358)	(182,012)
2024	(53,776)	(123,291)	(177,067)
2025	(53,428)	(127,820)	(181,248)
2026	(43,396)	(27,560)	(70,956)
Thereafter	(16,541)	(29,269)	(45,810)
Total	($275,198)	($579,092)	($854,290)

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	$1,125,001	$919,138	$755,476

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$723,750	$919,138	$1,180,419

Actuarial Assumptions – STRS

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

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	($529,461)	($608,530)	($675,618)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	($671,454)	($608,530)	($531,881)

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the Treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month.

Insurance Benefits

For fiscal year 2021, medical/surgical and prescription drug insurance is offered to employees through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the contract.

The School District has elected to provide dental insurance through Delta Dental of Ohio. The School District provides vision insurance to all employees through Vision Service Plan.

Retirement Incentive

An employee, covered by the master contract, who retires between July 1, 2017, and June 30, 2024, will receive a retirement incentive bonus using the following formula:

> One-half percent (.005) of the employee's average total compensation for the last three full fiscal years of his/her employment in the School District.
>
> The average is then multiplied by (X), where (X) equals the number of complete fiscal years of service in the Fairfield Local School District.

The following restrictions apply to this incentive:

1. The employee must be eligible for and taking initial regular retirement under either STRS or SERS. (Persons previously retired under STRS or SERS are ineligible.)

2. Effective June 30, 2011, this incentive applies to only those employees who retire with less than 31 years of service credit under either STRS or SERS.

3. The employee must give the Board of Education a minimum of 90 days written notice of his/her intent to retire.

4. An employee who retires during the school year receives no partial credit for that year in terms of bonus calculation; the bonus will be based on the last three complete fiscal years of service.

5. Compensation upon which the bonus is calculated includes all payments made to the employee from whichever retirement that has been withheld.

The retirement incentive bonus is paid within 30 days of the actual retirement date, provided written evidence of actual retirement (such as a copy of a retirement check or its stub) has been provided to the Treasurer.

Two employees accepted the retirement incentive bonus during fiscal year 2021.

NOTE 14 – CAPITALIZED – LESSEE DISCLOSURE

In prior fiscal years, the School District entered into a lease purchase financing agreement for roof replacement. The terms of the agreement transfers ownership of the upgrades to the School District at the expiration of the lease term. The School District is leasing the project through National Huntington Bank.

The School District will make semi-annual lease payments to National Huntington Bank. The lease is renewable annually and expires in fiscal year 2024. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds and on a budgetary basis. The capital lease will be paid from the Permanent Improvement Fund.

At fiscal year-end, capital assets under this lease have been capitalized as buildings and improvements in the Statement of Net Position for governmental activities. Principal payments in fiscal year 2021 totaled $87,880 and were paid from the Permanent Improvement Fund.

The leases acquired through the capital lease as of June 30, 2021, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Building Improvements	$417,660	($25,523)	$392,137

The following is a schedule of the future long-term minimum lease payments required under the capital leases for the roof replacement.

Fiscal Year Ending June 30,	Total Payments
2022	$97,424
2023	97,427
2024	48,707
Total	243,558
Less: Amount Representing Interest	(11,268)
Present Value of Net Minimum Lease Payments	$232,290

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/20	Additions	Deductions	Amount Outstanding 6/30/21	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Direct Placement:					
2015 School Improvement Refunding Bonds:					
Serial Bonds 3.42%	$473,000	$0	$232,000	$241,000	$241,000
Premium on Debt Issuance	14,493	0	6,690	7,803	0
2020 School Improvement Refunding Bonds:					
Serial and Term Bonds 1.50% to 4.00%	3,995,000	0	125,000	3,870,000	125,000
Premium on Debt Issuance	242,564	0	10,585	231,979	0
Total Direct Placement	4,725,057	0	374,275	4,350,782	366,000
Net Pension Liability:					
STRS	7,527,105	850,869	0	8,377,974	0
SERS	2,454,676	236,832	0	2,691,508	0
Total Net Pension Liability	9,981,781	1,087,701	0	11,069,482	0
Net OPEB Liability:					
SERS	1,056,733	0	137,595	919,138	0
Capital Lease	320,170	0	87,880	232,290	90,710
Compensated Absences	472,194	150,347	158,487	464,054	42,081
Total Governmental Activities Long-Term Liabilities	$16,555,935	$1,238,048	$758,237	$17,035,746	$498,791

School Improvement Refunding Bonds 2015

On September 2, 2015, the School District issued $1,240,000 in Series 2015 refunding bonds in order to refund the 2006 Refunding Bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on December 1, 2021. The bonds were directly placed with the Huntington Public Capital Corporation.

School Improvement General Obligation Bonds 2020

On March 3, 2020, the School District issued $4,010,000 in School Improvement Refunding Bonds for the purpose of refunding the 2015 School Improvement General Obligation Bonds, in order to take advantage of lower interest rates. Of these bonds, $1,205,000 were serial bonds and $2,805,000 are term bonds. These bonds are paid from the Debt Service Funds and will mature in June 2043. At June 30, 2021, $241,000 of the refunded bonds were still outstanding.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Direct Placement Serial/Term Bonds Principal	Direct Placement Serial/Term Bonds Interest	Total
2022	$366,000	$118,221	$484,221
2023	110,000	110,350	220,350
2024	110,000	108,563	218,563
2025	130,000	106,913	236,913
2026	140,000	101,712	241,712
2027-2031	785,000	420,362	1,205,362
2032-2036	940,000	261,250	1,201,250
2037-2041	1,070,000	138,612	1,208,612
2042-2043	460,000	17,375	477,375
Total	$4,111,000	$1,383,358	$5,494,358

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund, Food Service, Title VI-B and Title I Special Revenue Funds. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: General Fund, Food Service, Title VI-B, and Title I Special Revenue Funds. For additional information related to the net pension/OPEB liabilities see Note 11 and 12.

The School District's overall legal debt margin was $3,329,093 with an unvoted debt margin of $94,196 at June 30, 2021.

NOTE 16 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2021, were as follows:

Transfer From	Transfer To: Capital Projects Fund	Transfer To: Nonmajor Governmental Funds	Total
General Fund	$900,000	$21,683	$921,683

Transfers were made from the General Fund to the Capital Projects Fund to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were also made from the General Fund to Nonmajor Governmental Funds for athletic activities within the School District.

Interfund Balances

Interfund balances at June 30, 2021, consist of the following individual interfund receivables and payable:

		Payable		
		Capital Projects Fund	Nonmajor Governmental Funds	Total
Receivable	General Fund	$800,000	$66,297	$866,297

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving grant monies. When the monies are finally received, the grant fund reimburses the General Fund for the initial advance.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

Metropolitan Educational Technology Association (META)

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid META $109,724 for services provided during the fiscal year. Financial information can be obtained from META Solutions, Ashley Widby, CFO, 100 Executive Drive, Marion Ohio 43302.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. Great Oaks Institute of Technology and Career Development was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Fairfield Local School District. The School District has no ongoing financial interest in, nor responsibility for the Institute. The School District made no contributions during the fiscal year. The Board exercises total control over the operations of the Institute including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Complete financial statements for Great Oaks Institute of Technology and Career Development can be obtained from the Chief Financial Officer at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - SET-ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. 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 identifies the change in the fiscal year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2020	$0
Current Fiscal Year Set-aside Requirement	168,180
Current Fiscal Year Offsets	(168,180)
Set-aside Balance as of June 30, 2021	$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 19 - CONTINGENCIES

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 affect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

School Foundation

In fiscal year 2021, School District foundation funding was 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, additional ODE adjustments for fiscal year 2021 were finalized. As a result, the School District had an additional payable of $1,948.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 20 – ENDOWMENTS

The School District’s permanent funds include donor-restricted endowments. The Net Position-Non-Expendable amounts of $45,420 represent the principal portion of the endowments. The Net Position – Expendable amount of $126 represents the interest earnings on donor-restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment’s intent. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

NOTE 21 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	$159,033
Capital Projects Fund	195,167
Nonmajor Governmental Funds	154,431
Total	$508,631

Contractual Commitments

The outstanding construction commitments at June 30, 2021, are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/21
Plug Smart	$241,079	$156,700	$84,379

NOTE 22 - ACCOUNTABILITY

The following funds had a deficit fund balance as of June 30, 2021:

Title I Fund	$19,841
Title VI-B Fund	22,321
Elementary/Secondary School Emergency Relief Fund	83,362
Total	$125,524

The HRA fund, which is an internal service fund, has a deficit net position in the amount of $107,616. The deficits in all funds were due to accruals in GAAP. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 23 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

NOTE 24 – SUBSEQUENT EVENTS

For fiscal year 2022, School District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported $821,447 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique "per-pupil local capacity amount" for each School District. The School District's State core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023. Also during fiscal year 2021, the school district reported $899,283 in tuition and fees from the resident school districts which will be direct funded to the School District as the educating entity in fiscal year 2022.

Fairfield Local School District

Required Supplementary Information

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.04069280%	0.04102630%	0.03998730%	0.03954390%
School District's Proportionate Share of the Net Pension Liability	$2,691,508	$2,454,676	$2,290,147	$2,362,662
School District's Covered Payroll	$1,410,900	$1,512,593	$1,345,793	$1,228,600
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	190.77%	162.28%	170.17%	192.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03794290%	0.03750130%	0.03839700%	0.03839700%
$2,777,071	$2,139,859	$1,943,250	$2,283,346
$1,224,564	$1,134,400	$1,105,099	$1,071,305
226.78%	188.63%	175.84%	213.14%
62.98%	69.16%	71.70%	65.52%

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

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.04229170%	0.04202070%	0.04045850%	0.03978850%	0.03796590%
School District's Proportionate Share of the Net OPEB Liability	$919,138	$1,056,733	$1,122,428	$1,067,819	$1,082,169
School District's Covered Payroll	$1,410,900	$1,512,593	$1,345,793	$1,228,600	$1,224,564
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	65.15%	69.86%	83.40%	86.91%	88.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.03462481%	0.03403712%	0.03397379%	0.03289397%
School District's Proportionate Share of the Net Pension Liability	$8,377,974	$7,527,105	$7,470,074	$7,814,033
School District's Covered Payroll	$4,181,157	$4,262,000	$3,777,936	$3,811,514
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	200.37%	176.61%	197.73%	205.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03189157%	0.03006111%	0.03008676%	0.03008680%
$10,675,070	$8,308,013	$7,318,141	$8,717,322
$3,603,471	$3,132,371	$3,053,169	$3,139,131
296.24%	265.23%	239.69%	277.70%
66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.03462481%	0.03403712%	0.03397379%	0.03289397%	0.03189157%
School District's Proportionate Share of the Net OPEB Liability (Asset)	($608,530)	($563,737)	($545,924)	$1,283,401	$1,705,569
School District's Covered Payroll	$4,181,157	$4,262,000	$3,777,936	$3,811,514	$3,603,471
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-14.55%	-13.23%	-14.45%	33.67%	47.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	$215,035	$197,526	$204,200	$181,682
Contributions in Relation to the Contractually Required Contribution	(215,035)	(197,526)	(204,200)	(181,682)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$1,535,964	$1,410,900	$1,512,593	$1,345,793
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.50%	13.50%
Net OPEB Liability				
Contractually Required Contribution (2)	29,369	27,476	33,102	28,104
Contributions in Relation to the Contractually Required Contribution	(29,369)	(27,476)	(33,102)	(28,104)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.91%	1.95%	2.19%	2.09%
Total Contributions as a Percentage of Covered Payroll (2)	15.91%	15.95%	15.69%	15.59%

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
$172,004	$171,439	$149,474	$153,167	$148,269	$157,396
(172,004)	(171,439)	(149,474)	(153,167)	(148,269)	(157,396)
$0	$0	$0	$0	$0	$0
$1,228,600	$1,224,564	$1,134,400	$1,105,099	$1,071,305	$1,170,228
14.00%	14.00%	13.18%	13.86%	13.84%	13.45%
20,116	17,130	26,079	18,085	18,257	21,576
(20,116)	(17,130)	(26,079)	(18,085)	(18,257)	(21,576)
$0	$0	$0	$0	$0	$0
1.64%	1.40%	2.30%	1.64%	1.70%	1.84%
15.64%	15.40%	15.48%	15.50%	15.54%	15.29%

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	$631,672	$585,362	$596,680	$528,911
Contributions in Relation to the Contractually Required Contribution	(631,672)	(585,362)	(596,680)	(528,911)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (2)	$4,511,943	$4,181,157	$4,262,000	$3,777,936
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
$533,612	$504,486	$438,532	$396,912	$408,087	$406,405
(533,612)	(504,486)	(438,532)	(396,912)	(408,087)	(406,405)
$0	$0	$0	$0	$0	$0
$3,811,514	$3,603,471	$3,132,371	$3,053,169	$3,139,131	$3,126,192
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
$0	$0	$0	$30,532	$31,391	$31,262
0	0	0	(30,532)	(31,391)	(31,262)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

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

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

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS OPEB

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

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

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

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

FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY

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

FEDERAL GRANTOR / ***Pass Through Grantor*** / **Program / Cluster Title**	**Federal AL Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assitance (Food Distribution):			
National School Lunch Program Non-Cash Disbursements	10.555	3L60	44,339
Cash Assistance:			
National School Lunch Program	10.555	3L60	238,576
Covid 19 - National School Lunch Program	10.555	3L60	33,777
Total National School Lunch			316,692
Cash Assistance:			
National School Breakfast Program	10.553	3L70	$104,138
Covid 19 - National School Breakfast Program	10.553	3L70	14,893
Total National School Breakfast Program			119,031
Total Child Nutrition Cluster			435,723
Total U.S. Department of Agriculture			**435,723**
U.S. DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education:			
Special Education Cluster:			
Special Education Grants to States	84.027	3M20	205,650
Special Education Preschool Grants	84.173	3M20	4,277
Total Special Education Cluster			209,927
Title 1 Grants to Local Education Agencies	84.010	3M00	167,935
Supporting Effective Instruction State Grants	84.367	3Y60	27,317
Student Support and Academic Enrichment Program	84.424	3H10	13,876
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	3HS0	196,781
State Personnel Development Grants	84.323	N/A	5,000
Total Department of Education			**620,836**
U.S. Environmental Protection Agency			
Direct Award			
National Clean Diesel Emissions Reduction Program	66.039	N/A	20,000
Total U.S. Environmental Protection Agency			**20,000**
U.S. DEPARTMENT OF TREASURY			
Passed through Ohio Department of Education:			
COVID-19 Coronavirus Relief Fund	21.019	5CV1	49,296
Total U.S. Department of Treasury			**49,296**
Total Expenditures of Federal Awards			**$1,125,855**

The accompanying notes are an integral part of this schedule.

FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fairfield Local School District (the District's) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* 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 fair value. The District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.

OHIO AUDITOR OF STATE
KEITH FABER

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

INDEPENDENT AUDITOR'S REPORT

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Fairfield Local School District, Highland 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 Matters

As discussed in Note 3 to the financial statements, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities.* Also, 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 these matters.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2022 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

Keith Faber
Auditor of State
Columbus, Ohio
September 12, 2022

As management of the Fairfield Local School District, we offer readers of the Fairfield Local School District's basic 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 to enhance their understanding of the School District's financial performance.

Financial Highlights

In total, governmental net position decreased $460,785 mainly due to changes in assumptions and benefits associated with the Statewide pension system.

General revenues of the governmental activities accounted for $10,344,437. Program specific revenues in the form of charges for services and operating grants, contributions and interest accounted for $2,839,789 of total revenues of $13,184,226.

The School District had $13,645,011 in expenses related to governmental activities; $2,839,789 of these expenses were offset by program specific charges for services and sales and operating grants, contributions and interest.

Using the Basic Financial Statements

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

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 of the School District are the General Fund, the Debt Service Fund, and the Capital Projects Fund.

Reporting the Fairfield Local School District as a Whole

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 demonstrates how the School District did financially during fiscal year 2020. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows 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 net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Some factors may be financial while others such as mandated educational programs are non-financial factors.

Reporting the Fairfield Local School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 95. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds, which are the General Fund, the Debt Service Fund, and the Capital Projects Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general 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.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2020 compared to fiscal year 2019.

Table 1
Net Position
Governmental Activities

	2020	2019	Change
Assets			
Current and Other Assets	$12,154,634	$11,573,864	$580,770
Net OPEB Asset	563,737	545,924	17,813
Capital Assets	16,517,906	17,070,524	(552,618)
Total Assets	29,236,277	29,190,312	45,965
Deferred Outflows of Resources			
Deferred Charge on Refunding	0	16,525	(16,525)
Pension	2,204,895	3,063,487	(858,592)
OPEB	301,170	219,508	81,662
Total Deferred Outflows of Resources	2,506,065	3,299,520	(793,455)
Liabilities			
Current and Other Liabilities	979,052	997,639	(18,587)
Long-term Liabilities:			
Due Within One Year	475,067	429,901	45,166
Due in More Than One year:			
Net Pension Liability	9,981,781	9,760,221	221,560
Net OPEB Liability	1,056,733	1,122,428	(65,695)
Other Amounts	5,042,354	5,480,558	(438,204)
Total Liabilities	17,534,987	17,790,747	(255,760)
Deferred Inflows of Resources			
Deferred Gain on Refunding	125,490	19,291	106,199
Property Taxes	2,020,535	2,052,961	(32,426)
Pension	431,976	569,661	(137,685)
OPEB	973,532	940,565	32,967
Total Deferred Inflows of Resources	3,551,533	3,582,478	(30,945)
Net Position			
Net Investment in Capital Assets	11,347,189	11,977,820	(630,631)
Restricted	1,447,835	1,058,138	389,697
Unrestricted (Deficit)	(2,139,202)	(1,919,351)	(219,851)
Total Net Position	$10,655,822	$11,116,607	($460,785)

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 School District has also adopted 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 to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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*. 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.

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.

Overall, an increase of $45,965 occurred within total assets when compared to the prior fiscal year. Current and other assets increased mainly as a result of an increase in cash and cash equivalents. Capital Assets, Net decreased $552,618, due primarily to depreciation and deletions exceeding additions during the fiscal year.

Total Liabilities decreased $255,760 for fiscal year 2020, mostly due to a decrease in long-term liabilities related to current year debt payments.

Net Investment in Capital Assets for governmental activities decreased $630,631. The decrease is primarily due to current year depreciation exceeding current year additions. Unrestricted Net Position for governmental activities decreased $219,851 mainly due to the increases in net pension/OPEB liabilities associated with changes in assumptions and benefits by the Statewide pension systems.

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 and operating grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2020 and 2019.

Table 2
Changes in Net Position
Governmental Activities

	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services	$1,210,387	$1,067,900	$142,487
Operating Grants, Contributions and Interest	1,629,402	1,469,524	159,878
Total Program Revenues	2,839,789	2,537,424	302,365
General Revenues:			
Property Taxes	2,282,821	2,206,806	76,015
Grants and Entitlements	7,739,543	7,875,345	(135,802)
Investment Earnings	198,938	208,633	(9,695)
Miscellaneous	123,135	75,869	47,266
Total General Revenues	10,344,437	10,366,653	(22,216)
Total Revenues	13,184,226	12,904,077	280,149
Program Expenses			
Instruction:			
Regular	5,695,725	4,585,125	1,110,600
Special	1,773,546	1,388,162	385,384
Vocational	195,846	183,575	12,271
Support Services:			
Pupils	707,755	593,039	114,716
Instructional Staff	453,701	284,869	168,832
Board of Education	121,864	77,992	43,872
Administration	1,163,675	1,024,569	139,106
Fiscal	458,830	377,726	81,104
Business	0	4,339	(4,339)
Operation and Maintenance of Plant	1,128,575	997,024	131,551
Pupil Transportation	749,415	739,646	9,769
Central	202,890	229,586	(26,696)
Operation of Non-Instructional Services:			
Food Service Operations	438,367	436,706	1,661
Extracurricular Activities	298,203	262,988	35,215
Interest and Fiscal Charges	256,619	188,359	68,260
Total Expenses	13,645,011	11,373,705	2,271,306
Change in Net Position	(460,785)	1,530,372	(1,991,157)
Restatement	0	116,869	(116,869)
Net Position Beginning of Year	11,116,607	9,469,366	1,647,241
Net Position End of Year	$10,655,822	$11,116,607	($460,785)

Overall, revenues increased $280,149. Operating grants, contributions and interest increased $159,878 as a result of the School District receiving more monies in State funding.

Expenses for the School District increased $2,271,306 primarily due to an increase in regular instruction. The School District gave a two percent cost of living raise as well as step increases during the fiscal year.

The School District's Funds

Information about the School District's major funds starts on page 100. The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $13,233,031 and expenditures of $12,667,493.

The fund balance in the General Fund increased $709,913. Property taxes increased $81,748. Tuition and fees also increased $94,079 during the fiscal year due to an increase in open enrollment.

The fund balance in the Debt Service Fund increased $77,270.

Overall, governmental fund revenues exceeded expenditures by $565,538 during the fiscal year due to the School District monitoring spending.

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. The School District's most significant budgeted fund is the General Fund. The General Fund is budgeted at the fund level. The ending unobligated fund balance was $1,790,598 more than the final budgeted amount for the General Fund. Final budgeted expenditures were $1,509,074 more than actual expenditures mainly due to the School District monitoring expenses throughout the fiscal year. Original budgeted expenditures were $578,441 less than final budgeted expenditures. This was primarily due to an increase in special instruction. Original budgeted revenues were $88,307 more than final budgeted revenues.

Capital Assets

At the end of fiscal year 2020, the School District had $16,517,906 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks. Net capital assets decreased $552,618 from the prior fiscal year. This was due to additions for the current fiscal year being less than depreciation expense. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2020, the School District had outstanding general obligation bonds in the amount of $4,468,000, for the purpose of paying for new construction, improvements and renovations to school facilities. In addition, the School District's long term obligations include capital leases in the amount of $320,170 and compensated absences of $472,194.

The School District's overall legal debt margin was $2,959,294 with an unvoted debt margin of $93,251 at June 30, 2020.

For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

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 Deb Lawwell, Treasurer, Fairfield Local School District, 11611 S.R. 771, Leesburg, Ohio, 45135.

Basic Financial Statements

Fairfield Local School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$9,698,565
Materials and Supplies Inventory	209
Accrued Interest Receivable	1,449
Inventory Held for Resale	5,578
Prepaid Items	16,948
Accounts Receivable	8,193
Intergovernmental Receivable	49,498
Taxes Receivable	2,374,194
Net OPEB Asset - (See Note 12)	563,737
Capital Assets:	
Land	399,200
Depreciable Capital Assets, Net	16,118,706
Total Assets	29,236,277
Deferred Outflows of Resources:	
Pension	2,204,895
OPEB	301,170
Total Deferred Outflows of Resources	2,506,065
Liabilities:	
Accounts Payable	60,650
Accrued Wages and Benefits Payable	684,247
Intergovernmental Payable	222,986
Accrued Interest Payable	11,169
Long-Term Liabilities:	
Due Within One Year	475,067
Due in More Than One Year:	
Net Pension Liability - (See Note 11)	9,981,781
Net OPEB Liability - (See Note 12)	1,056,733
Other Amounts	5,042,354
Total Liabilities	17,534,987
Deferred Inflows of Resources:	
Deferred Gain on Refunding	125,490
Property Taxes	2,020,535
Pension	431,976
OPEB	973,532
Total Deferred Inflows of Resources	3,551,533
Net Position:	
Net Investment in Capital Assets	11,347,189
Restricted for:	
Debt Payments	1,002,502
Food Service	17,102
Capital Improvements	340
Capital Maintenance	183,453
Scholarships	20,889
Miscellaneous Grants	99,201
Extracurricular	77,234
Donations	800
Endowment:	
Expendable	994
Nonexpendable	45,320
Unrestricted (Deficit)	(2,139,202)
Total Net Position	$10,655,822

See Accompanying Notes to the Basic Financial Statements

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

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$5,695,725	$908,209	$45,018	($4,742,498)
Special	1,773,546	0	995,689	(777,857)
Vocational	195,846	0	93,526	(102,320)
Support Services:				
Pupils	707,755	0	181,046	(526,709)
Instructional Staff	453,701	0	23,539	(430,162)
Board of Education	121,864	0	0	(121,864)
Administration	1,163,675	0	0	(1,163,675)
Fiscal	458,830	0	0	(458,830)
Operation and Maintenance of Plant	1,128,575	0	6,666	(1,121,909)
Pupil Transportation	749,415	0	26,482	(722,933)
Central	202,890	0	5,400	(197,490)
Operation of Non-Instructional Services:				
Food Service Operations	438,367	152,497	225,660	(60,210)
Extracurricular Activities	298,203	149,681	26,376	(122,146)
Interest and Fiscal Charges	256,619	0	0	(256,619)
Total Governmental Activities	$13,645,011	$1,210,387	$1,629,402	(10,805,222)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,719,645
Debt Service	532,882
Classroom Facilities Maintenance	30,294
Grants and Entitlements not Restricted to Specific Programs	7,739,543
Investment Earnings	198,938
Miscellaneous	123,135
Total General Revenues	10,344,437
Change in Net Position	(460,785)
Net Position at Beginning of Year Restated (See Note 3)	11,116,607
Net Position at End of Year	$10,655,822

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	$6,966,658	$921,001	$900,000	$910,906	$9,698,565
Inventory Held for Resale	0	0	0	5,578	5,578
Materials and Supplies Inventory	0	0	0	209	209
Receivables:					
Taxes Receivable	1,769,384	572,283	0	32,527	2,374,194
Intergovernmental	36,860	0	0	12,638	49,498
Accrued Interest	1,449	0	0	0	1,449
Accounts Receivable	8,193	0	0	0	8,193
Interfund	913,716	0	0	0	913,716
Prepaid Items	16,948	0	0	0	16,948
Total Assets	$9,713,208	$1,493,284	$900,000	$961,858	$13,068,350
Liabilities:					
Accounts Payable	$56,349	$0	$0	$4,301	$60,650
Accrued Wages and Benefits Payable	658,322	0	0	25,925	684,247
Interfund Payable	0	0	900,000	13,716	913,716
Intergovernmental Payable	214,087	0	0	8,899	222,986
Total Liabilities	928,758	0	900,000	52,841	1,881,599
Deferred Inflows of Resources:					
Property Taxes	1,513,000	479,613	0	27,922	2,020,535
Unavailable Revenue	165,836	48,351	0	4,147	218,334
Total Deferred Inflows of Resources	1,678,836	527,964	0	32,069	2,238,869
Fund Balances:					
Nonspendable	16,948	0	0	45,529	62,477
Restricted	0	965,320	0	398,161	1,363,481
Assigned	1,060,855	0	0	444,485	1,505,340
Unassigned (Deficit)	6,027,811	0	0	(11,227)	6,016,584
Total Fund Balances	7,105,614	965,320	0	876,948	8,947,882
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$9,713,208	$1,493,284	$900,000	$961,858	$13,068,350

See Accompanying Notes to the Basic Financial Statements

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

Total Governmental Fund Balances		$8,947,882
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	399,200	
Other capital assets	29,799,627	
Accumulated depreciation	(13,680,921)	
Total captital assets		16,517,906
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	217,092	
Intergovernmental	1,242	
Total		218,334
The net pension liability and net OPEB liability (asset) are not due and payable in the current period; therefore, the liabilities (asset) and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	563,737	
Deferred Outflows - Pension	2,204,895	
Deferred Outflows - OPEB	301,170	
Net Pension Liability	(9,981,781)	
Net OPEB Liability	(1,056,733)	
Deferred Inflows - Pension	(431,976)	
Deferred Inflows - OPEB	(973,532)	
Total		(9,374,220)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(11,169)
Deferred Outflows/Inflows of Resources represent deferred charges/gain on refundings which do not provide current financial resources and therefore are not reported in the funds.		(125,490)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Refunding Bonds payable	(4,468,000)	
Premium on debt issuance	(257,057)	
Capital Leases payable	(320,170)	
Compensated absences	(472,194)	
Total		(5,517,421)
Net Position of Governmental Activities		$10,655,822

See Accompanying Notes to the Basic Financial Statements

Fairfield 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	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$1,723,090	$533,781	$30,383	$2,287,254
Intergovernmental	8,312,129	33,597	1,008,765	9,354,491
Investment Earnings	198,151	0	1,290	199,441
Tuition and Fees	908,209	0	0	908,209
Extracurricular Activities	29,134	0	120,547	149,681
Customer Services	0	0	152,497	152,497
Gifts and Donations	1,459	0	28,376	29,835
Miscellaneous	131,858	0	19,765	151,623
Total Revenues	11,304,030	567,378	1,361,623	13,233,031
Expenditures:				
Current:				
Instruction:				
Regular	4,805,592	0	55,756	4,861,348
Special	1,210,024	0	440,251	1,650,275
Vocational	161,041	0	9,023	170,064
Support Services:				
Pupils	555,333	0	113,776	669,109
Instructional Staff	331,367	0	23,559	354,926
Board of Education	120,611	0	0	120,611
Administration	1,017,630	0	0	1,017,630
Fiscal	386,892	16,331	1,000	404,223
Operation and Maintenance of Plant	986,428	0	12,835	999,263
Pupil Transportation	630,466	0	1,602	632,068
Central	195,380	0	5,400	200,780
Operation of Non-Instructional Services:				
Food Service Operations	3,283	0	364,769	368,052
Extracurricular Activities	117,460	0	166,736	284,196
Capital Outlay	72,610	0	179,464	252,074
Debt Service:				
Principal Retirement	0	252,999	85,130	338,129
Interest and Fiscal Charges	0	232,450	12,294	244,744
Interest paid on Capital Appreciation Bonds	0	100,001	0	100,001
Total Expenditures	10,594,117	601,781	1,471,595	12,667,493
Excess of Revenues Over (Under) Expenditures	709,913	(34,403)	(109,972)	565,538
Other Financing Sources (Uses):				
Refunding Bonds Issued	0	4,010,000	0	4,010,000
Premium on Refunding Bonds Issued	0	246,092	0	246,092
Payment to Refunded Bond Escrow Agent	0	(4,144,419)	0	(4,144,419)
Transfers In	0	0	973	973
Transfers Out	0	0	(973)	(973)
Total Other Financing Sources (Uses)	0	111,673	0	111,673
Net Change in Fund Balances	709,913	77,270	(109,972)	677,211
Fund Balances at Beginning of Year - Restated (See Note 3)	6,395,701	888,050	986,920	8,270,671
Fund Balances at End of Year	$7,105,614	$965,320	$876,948	$8,947,882

See Accompanying Notes to the Basic Financial Statements

Fairfield Local School District
Reconciliation of the Change 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		$677,211
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	156,484	
Construction in progress additions	214,646	
Depreciation expense	(884,729)	
Excess of depreciation over capital outlay expense		(513,599)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets are removed from the capital asset account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.		
Loss on Disposal of Capital Assets		(39,019)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues.		
Delinquent Property Taxes	(4,433)	
Intergovernmental	(15,884)	
Miscellaneous	(28,488)	
Total		(48,805)
Bond proceeds and bond premiums are reported as other financing sources and uses in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Proceeds of refunding bonds	(4,010,000)	
Premium on refunding bonds	(246,092)	
		(4,256,092)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	782,888	
OPEB	27,476	
Total		810,364
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability (asset) are reported as pension expense in the Statement of Activities.		
Pension	(1,725,355)	
OPEB	104,727	
Total		(1,620,628)
Accretion and amortization of bond premiums, the deferred loss/gain on refunding debt, as well as accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.		
Amortization of loss on refunding	(16,525)	
Amortization of gain on refunding	7,723	
Amortization of bond premium	10,218	
Accretion on bonds	(16,668)	
Accrued Interest on bonds	3,377	
Total		(11,875)
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, this amount consisted of:		
Payment to refunded bond escrow agent	4,144,419	
Bond principal retirement	252,999	
Accrection on Capital Appreciation Bonds	100,001	
Capital Lease payment	85,130	
Total		4,582,549
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences		(40,891)
Change in Net Position of Governmental Activities		($460,785)

See Accompanying Notes to the Basic Financial Statements

Fairfield 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			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$1,621,610	$1,685,870	$1,697,188	$11,318
Intergovernmental	8,546,303	8,114,648	8,299,887	185,239
Interest	161,500	162,650	161,139	(1,511)
Tuition and Fees	752,371	927,464	908,209	(19,255)
Extracurricular Activities	15,700	29,114	29,134	20
Rent	230	0	0	0
Gifts and Donations	3,130	1,459	1,459	0
Miscellaneous	37,350	128,682	124,395	(4,287)
Total Revenues	11,138,194	11,049,887	11,221,411	171,524
Expenditures:				
Current:				
Instruction:				
Regular	5,562,551	5,236,125	4,845,692	390,433
Special	1,007,430	1,284,770	1,190,235	94,535
Vocational	207,762	220,210	161,921	58,289
Support Services:				
Pupils	473,800	732,294	557,087	175,207
Instructional Staff	322,364	444,801	337,564	107,237
Board of Education	103,549	126,205	124,211	1,994
Administration	1,255,413	1,198,002	1,027,385	170,617
Fiscal	442,138	420,088	391,466	28,622
Operation and Maintenance of Plant	1,317,810	1,268,246	995,007	273,239
Pupil Transportation	707,560	776,003	741,834	34,169
Central	82,267	209,500	177,075	32,425
Operation of Non-Instructional Services:				
Food Service Operations	5,829	5,935	3,325	2,610
Extracurricular Activities	135,489	140,224	110,658	29,566
Capital Outlay	59,700	199,700	89,569	110,131
Total Expenditures	11,683,662	12,262,103	10,753,029	1,509,074
Excess of Revenues Over Expenditures	(545,468)	(1,212,216)	468,382	1,680,598
Other Financing Sources (Uses):				
Advances In	0	500,000	510,000	10,000
Advances Out	(450,000)	(1,000,000)	(900,000)	100,000
Total Other Financing Sources (Uses)	(450,000)	(500,000)	(390,000)	110,000
Net Change in Fund Balance	(995,468)	(1,712,216)	78,382	1,790,598
Fund Balance at Beginning of Year	6,199,474	6,199,474	6,199,474	0
Prior Year Encumbrances Appropriated	326,127	326,127	326,127	0
Fund Balance at End of Year	$5,530,133	$4,813,385	$6,603,983	$1,790,598

See Accompanying Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fairfield 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 Fairfield Local School District was established in 1962. The School District serves an area of approximately 53 square miles. It is located in Highland and Clinton Counties, and includes all of the Villages of Leesburg and Highland, all of Fairfield Township, portions of Penn and Liberty Townships and a portion of Wayne Township in Clinton County. The School District currently operates one instructional building and one bus garage.

Reporting Entity

A reporting entity is comprised 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 Fairfield Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 17 of the basic financial statements.

These organizations are:

Jointly Governed Organizations:
Metropolitan Educational Technology Association (META)
Great Oaks Institute of Technology and Career Development

Insurance Purchasing Pool:
Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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 School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities; however, the School District 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. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

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

Governmental Funds

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

> *General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. 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 and report the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.
>
> *Capital Projects Fund* – The Capital Projects Fund is used to account for and report monies which have been assigned by the Board of Education to be used for acquiring, constructing, or improving facilities within the School District.

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

Measurement Focus

Government-wide Financial Statements

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means 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. 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, miscellaneous, investment earnings, and grants.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Note 12 and 13.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources included deferred gain on refunding, property taxes, pension and OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Note 12 and 13).

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.

Cash and Cash Equivalents

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

During fiscal year 2020, the School District's investments were limited to STAR Ohio, commercial paper, money market mutual funds and negotiable certificates of deposit. Investments, except for STAR Ohio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price. The School District's commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase less than one year.

STAR Ohio (the State Treasury Asset Reserve of 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 the fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $100 million or more. STAR Ohio 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 $198,151, which includes $54,889 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable". Interfund balances are eliminated in the Statement of Net Position.

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 the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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 $1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	20 - 40 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years
Textbooks	5 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

Pensions/Other Postemployment Benefits (OPEB)

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

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in 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 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 the highest level of 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. These amounts are assigned by the School District Board of Education. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the fiscal year 2021 appropriated budget

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 fund balance.

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

Internal Activity

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

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 and are eliminated from the Statement of Activities. 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.

Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 control has been established by the Board of Education at the fund level. 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 the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were 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 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.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, 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. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCES

Change in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District implemented GASB Statement No. 84, *Fiduciary Activities* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities.*

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the

School District will no longer be reporting agency funds. The School District reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District's financial statements.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2019:

	Governmental Activities
Net Position, June 30, 2019	$10,999,738
Adjustments:	
GASB 84	116,869
Restated Net Position, June 30, 2019	$11,116,607

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2019:

	Governmental Funds				
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total
Fund Balances, June 30, 2019	$6,395,701	$888,050	$0	$870,051	$8,153,802
Adjustments:					
GASB 84	0	0	0	116,869	116,869
Restated Fund Balances, June 30, 2019	$6,395,701	$888,050	$0	$986,920	$8,270,671

NOTE 4 - 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 Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaids	$16,948	$0	$0	$0	$16,948
Inventory	0	0	0	209	209
Endowment	0	0	0	45,320	45,320
Total Nonspendable	16,948	0	0	45,529	62,477
Restricted for:					
Debt Payment	0	965,320	0	0	965,320
Food Service	0	0	0	19,155	19,155
Capital Improvements	0	0	0	340	340
Capital Maintenance	0	0	0	180,548	180,548
Scholarships	0	0	0	20,889	20,889
Miscellaneous Grants	0	0	0	98,201	98,201
Extracurricular	0	0	0	77,234	77,234
Donations	0	0	0	800	800
Endowment	0	0	0	994	994
Total Restricted	0	965,320	0	398,161	1,363,481
Assigned to:					
Capital Improvements	0	0	0	444,485	444,485
Future Appropriations	827,991	0	0	0	827,991
Purchases on Order	232,864	0	0	0	232,864
Total Assigned	1,060,855	0	0	444,485	1,505,340
Unassigned (Deficit):	6,027,811	0	0	(11,227)	6,016,584
Total Fund Balances	$7,105,614	$965,320	$0	$876,948	$8,947,882

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance	
GAAP Basis	$709,913
Adjustments:	
Revenue Accruals	(37,634)
Expenditure Accruals	151,844
Encumbrances	(310,756)
Advances	(390,000)
Increase in Fair Market Value of Investments - 2019	10,650
Increase in Fair Market Value of Investments - 2020	(55,635)
Budget Basis	$78,382

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies held by the School District can 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirement have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); and

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Investments

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

Measurement/Investment	Measurement Amount	Maturity	S&P's	Percent of Total Investments
Net Asset Value per Share:				
STAROhio	$5,129,960	Less than one year	AAAm	N/A
Amortized Cost:				
Commercial Paper	992,869	Less than one year	P1/A1 to A1+	13.92%
Fair Value - Level One Inputs:				
Money Market Mutual Fund	22,048	Less than one year	Aaa	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificate of Deposits	987,337	Less than five years	Aaa	13.84%
Total	$7,132,214			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2020. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School

District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk:

The School District's investment policy follows State statute, which requires that an investment mature within five years of 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:

The Standard and Poor's or Moody's rating of the School District's investments is listed in the table above. STAR Ohio is permitted by Ohio Revised Code Section 135.45. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized rating service. The negotiable certificates of deposit are in denominations of under $250,000 each, in separate banks, and are insured by the Federal Deposit Insurance Corporation (FDIC). The negotiable certificates of deposit are, therefore, not subject to credit risk. The Discount Commerical Paper investments are rated P1/A1 to A1+ by Moody's and Standard and Poor's. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk

For an investment, 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 investments are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District does not have a policy for custodial credit risk.

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.

The School District receives property taxes from Highland and Clinton Counties. The County Auditor's 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 that are 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 reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2020, was $90,548 in the General Fund, $44,319 in the Debt Service Fund, and $1,700 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds). The amount available as an advance at June 30, 2019, was $64,646 in the General Fund, $37,367 in the Debt Service Fund, and $1,136 in the Classroom Facilities Maintenance Special Revenue Fund (Nonmajor Governmental Funds).

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

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

	2019 First - Half Collections		2020 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	$89,968,370	96.98%	$90,284,060	96.82%
Public Utility Personal	2,799,220	3.02%	2,967,210	3.18%
Total Assessed Value	$92,767,590	100.00%	$93,251,270	100.00%
Tax rate per $1,000 of assessed valuation	$32.89		$32.89	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2020, consisted of property taxes, intergovernmental grants, accrued interest and interfund. 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. All receivables except delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

Intergovernmental receivables consist of the following:

	Amounts
Governmental Activities:	
Medicaid Reimbursement	$1,327
STRS Overfunding	20,633
Title I - A Improving Basic Programs Grant	1,557
IDEA Early Childhood Special Education Grant	956
IDEA B Special Education Grant	1,643
Restoration Grant	377
Early Literacy Grant	1,007
Parent, Community Educator Collaborative Grant	1,000
Drug Prevention Grant	6,098
State Foundation Adjustment	14,900
Total Intergovernmental Receivables	$49,498

NOTE 9 - CAPITAL ASSETS

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

	Balance at 6/30/19	Additions	Deductions	Balance at 6/30/20
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$399,200	$0	$0	$399,200
Construction in Progress	319,801	214,646	(534,447)	0
Total Capital Assets Not Being Depreciated	719,001	214,646	(534,447)	399,200
Capital Assets Being Depreciated:				
Land Improvements	2,083,779	83,958	0	2,167,737
Buildings and Improvements	22,807,518	466,514	0	23,274,032
Furniture, Fixtures and Equipment	2,426,119	77,789	(151,173)	2,352,735
Vehicles	1,065,831	62,670	(94,253)	1,034,248
Textbooks	970,875	0	0	970,875
Totals Capital Assets Being Depreciated	29,354,122	690,931	(245,426)	29,799,627
Less Accumulated Depreciation:				
Land Improvements	(680,625)	(61,988)	0	(742,613)
Buildings and Improvements	(8,924,612)	(600,414)	0	(9,525,026)
Furniture, Fixtures and Equipment	(1,797,694)	(147,020)	151,173	(1,793,541)
Vehicles	(628,793)	(75,307)	55,234	(648,866)
Textbooks	(970,875)	0	0	(970,875)
Total Accumulated Depreciation	(13,002,599)	(884,729) *	206,407	(13,680,921)
Total Capital Assets Being Depreciated, Net	16,351,523	(193,798)	(39,019)	16,118,706
Governmental Activities Capital Assets, Net	$17,070,524	$20,848	($573,466)	$16,517,906

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$406,345
Special	30,525
Vocational	22,826
Support Services:	
Pupils	15,259
Instructional Staff	80,140
Administration	52,160
Fiscal	16,495
Operation and Maintenance of Plant	73,863
Pupil Transportation	116,195
Central	2,110
Operation of Non-Instructional Services:	
Food Service Operations	48,506
Extracurricular Activites	20,305
Total Depreciation Expense	$884,729

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted with the Southwestern Ohio Educational Purchasing Council for property insurance coverage.

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

Workers' Compensation

For fiscal year 2020, the School District participated in the Ohio School Boards Association Workers' Compensation Group-Retrospective Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to 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 net OPEB asset or long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

<u>Plan Description - School Employees Retirement System (SERS)</u>

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was $197,526 for fiscal year 2020. Of this amount, $36,801 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 system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was $585,362 for fiscal year 2020. Of this amount, $93,632 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.03998730%	0.03397379%	
Proportion of the Net Pension Liability Current Measurement Date	0.04102630%	0.03403712%	
Change in Proportionate Share	0.00103900%	0.00006333%	
Proportionate Share of the Net Pension Liability	$2,454,676	$7,527,105	$9,981,781
Pension Expense	$448,474	$1,276,881	$1,725,355

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$62,246	$61,284	$123,530
Changes of assumptions	0	884,204	884,204
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	65,821	348,452	414,273
School District contributions subsequent to the measurement date	197,526	585,362	782,888
Total Deferred Outflows of Resources	$325,593	$1,879,302	$2,204,895

	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	$0	$32,583	$32,583
Net difference between projected and actual earnings on pension plan investments	31,509	367,884	399,393
Total Deferred Inflows of Resources	$31,509	$400,467	$431,976

$782,888 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	$121,353	$669,555	$790,908
	2022	(40,567)	185,233	144,666
	2023	(2,098)	(11,725)	(13,823)
	2024	17,870	50,410	68,280
Total		$96,558	$893,473	$990,031

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:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US 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	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	$3,439,878	$2,454,676	$1,628,460

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

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

* Target weights will be phased in over a 24-month period concluding on July1, 2019.
** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate

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

Sensitivity of the 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	$11,000,025	$7,527,105	$4,587,100

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2020, three members of the Board of Education have 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.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June

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

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

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

For fiscal year 2020, the School District's surcharge obligation was $27,476.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $27,476 for fiscal year 2020, which is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.04045850%	0.03397379%	
Proportion of the Net OPEB Liability			
Current Measurement Date	0.04202070%	0.03403712%	
Change in Proportionate Share	0.00156220%	0.00006333%	
Proportionate Share of the			
Net OPEB (Asset)	$0	($563,737)	($563,737)
Net OPEB Liability	$1,056,733	$0	$1,056,733
OPEB Expense	$54,452	($159,179)	($104,727)

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

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$15,512	$51,107	$66,619
Changes of assumptions	77,182	11,850	89,032
Net difference between projected and actual earnings on pension plan investments	2,537	0	2,537
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	52,439	63,067	115,506
School District contributions subsequent to the measurement date	27,476	0	27,476
Total Deferred Outflows of Resources	$175,146	$126,024	$301,170

	SERS	STRS	Total
Deferred Inflows of Resources:			
Differences between expected and actual experience	$232,157	$28,681	$260,838
Changes of assumptions	59,216	618,071	677,287
Net difference between projected and actual earnings on OPEB plan investments	0	35,407	35,407
Total Deferred Inflows of Resources	$291,373	$682,159	$973,532

$27,476 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 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	($43,269)	($121,153)	($164,422)
2022	(23,138)	(121,154)	(144,292)
2023	(22,393)	(106,963)	(129,356)
2024	(22,514)	(101,982)	(124,496)
2025	(22,172)	(106,565)	(128,737)
Thereafter	(10,217)	1,682	(8,535)
Total	($143,703)	($556,135)	($699,838)

<u>Actuarial Assumptions - SERS</u>

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

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

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

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

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate

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

Sensitivity of the 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%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	$1,282,673	$1,056,733	$877,083

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$846,657	$1,056,733	$1,335,452

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 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	($481,037)	($563,737)	($633,267)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	($639,251)	($563,737)	($471,249)

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. The classified employees working 12 months of the year earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the Treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month.

Insurance Benefits

For fiscal year 2020, medical/surgical and prescription drug insurance is offered to employees through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the contract.

The School District has elected to provide dental insurance through Trustmark. The School District provides vision insurance to all employees through Vision Service Plan.

Retirement Incentive

An employee, covered by the master contract, who retires between July 1, 2017, and June 30, 2021, will receive a retirement incentive bonus using the following formula:

> One-half percent (.005) of the employee's average total compensation for the last three full fiscal years of his/her employment in the School District.
>
> The average is then multiplied by (X), where (X) equals the number of complete fiscal years of service in the Fairfield Local School District.

The following restrictions apply to this incentive:

1. The employee must be eligible for and taking initial regular retirement under either STRS or SERS. (Persons previously retired under STRS or SERS are ineligible.)

2. Effective June 30, 2011, this incentive applies to only those employees who retire with less than 31 years of service credit under either STRS or SERS.

3. The employee must give the Board of Education a minimum of 90 days written notice of his/her intent to retire.

4. An employee who retires during the school year receives no partial credit for that year in terms of bonus calculation; the bonus will be based on the last three complete fiscal years of service.

5. Compensation upon which the bonus is calculated includes all payments made to the employee from whichever retirement that has been withheld.

The retirement incentive bonus is paid within 30 days of the actual retirement date, provided written evidence of actual retirement (such as a copy of a retirement check or its stub) has been provided to the Treasurer.

One employee accepted the retirement incentive bonus during fiscal year 2020.

NOTE 14 – CAPITALIZED – LESSEE DISCLOSURE

In prior years, the School District entered into a lease purchase financing agreement for roof replacement. The terms of the agreement transfers ownership of the upgrades to the School District at the expiration of the lease term. The School District is leasing the project through National Huntington Bank.

The School District will make semi-annual lease payments to National Huntington Bank. The lease is renewable annually and expires in fiscal year 2024. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds and on a budgetary basis. The capital lease will be paid from the Permanent Improvement Fund.

At fiscal year-end, capital assets under this lease have been capitalized as construction in progress in the Statement of Net Position for governmental activities. A liability was recorded on the Statement of Net Position for governmental activities in the amount of $420,000, which is equal to the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2020 totaled $85,130 and were paid from the Permanent Improvement Fund.

The leases acquired through the capital lease as of June 30, 2020, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Building Improvements	$417,660	($11,601)	$406,059

The following is a schedule of the future long-term minimum lease payments required under the capital leases for the roof replacement.

Fiscal Year Ending June 30,	Total Payments
2021	$97,428
2022	97,424
2023	97,427
2024	48,707
Total	340,986
Less: Amount Representing Interest	(20,816)
Present Value of Net Minimum Lease Payments	$320,170

NOTE 15 - 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	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Direct Placement:					
2015 School Improvement Refunding Bonds:					
Serial Bonds 3.42%	$691,000	$0	$218,000	$473,000	$232,000
Premium on Debt Issuance	21,183	0	6,690	14,493	0
2020 School Improvement Refunding Bonds:					
Serial Bonds 1.50% to 3.00%	0	1,205,000	15,000	1,190,000	125,000
Term Bonds 2.125% to 4.00%	0	2,805,000	0	2,805,000	0
Premium on Debt Issuance	0	246,092	3,528	242,564	0
Total Direct Placement	712,183	4,256,092	243,218	4,725,057	357,000
2015 School Improvement General Obligation Bonds:					
Term Bonds 2.00% to 4.00%	4,085,000	0	4,085,000	0	0
Capital Appreciation Bonds	19,999	0	19,999	0	0
Accretion on Capital Appreciation Bonds	83,333	16,668	100,001	0	0
Premium on Debt Issuance	173,341	0	173,341	0	0
Total Non-direct Placements	4,361,673	16,668	4,378,341	0	0
Total General Obligation Bonds	5,073,856	4,272,760	4,621,559	4,725,057	357,000
Net Pension Liability:					
STRS	7,470,074	57,031	0	7,527,105	0
SERS	2,290,147	164,529	0	2,454,676	0
Total Net Pension Liability	9,760,221	221,560	0	9,981,781	0
Net OPEB Liability:					
SERS	1,122,428	0	65,695	1,056,733	0
Capital Lease	405,300	0	85,130	320,170	87,880
Compensated Absences	431,303	69,218	28,327	472,194	30,187
Total Governmental Activities Long-Term Liabilities	$16,793,108	$4,563,538	$4,800,711	$16,555,935	$475,067

School Improvement Refunding Bonds 2015

On September 2, 2015, the School District issued $1,240,000 in Series 2015 refunding bonds in order to refund the 2006 Refunding Bonds in order to take advantage of lower interest rates.

These bonds are paid from the Debt Service Fund and will mature on December 1, 2021. The bonds were directly placed with the Huntington Public Capital Corporation. At June 30, 2020, $473,000 of the refunded bonds are still outstanding.

School Improvement General Obligation Bonds 2015

On May 14, 2015, the School District issued $4,499,999 in general obligation bonds for the purpose of paying for new construction, improvements and renovations to school facilities. Of these bonds, $395,000 are serial bonds, $4,085,000 are term bonds and $19,999 are capital appreciation bonds. The bonds were issued for a 28 year period, with final maturity in June 2043. The bonds will be paid from property tax revenues received in the Debt Service Fund.

The term bonds issued at $4,085,000 and maturing on June 1, 2022, through June 1, 2043, were defeased with the issuance of the 2020 School Improvement Refunding Bonds.

The capital appreciation bonds are not subject to prior redemption. They matured in fiscal year 2020. The maturity amount of the capital appreciation bonds was $120,000. For fiscal year 2020, the capital appreciation bonds were accreted $16,668.

School Improvement General Obligation Bonds 2020

On March 3, 2020, the School District issued $4,010,000 in School Improvement Refunding Bonds for the purpose of refunding the 2015 School Improvement General Obligation Bonds, in order to take advantage of lower interest rates. Of these bonds, $1,205,000 were serial bonds and $2,805,000 are term bonds. These bonds are paid from the Debt Service Funds and will mature in June 2043. As a result, $4,085,000 of the 2015 School Improvement General Obligation Bonds were considered defeased and the liability for the bonds have been removed from the School District's financial statements. The School District decreased its total debt service payments by $767,595 as a result of the refunding. The School District also incurred an economic gain (difference between present value of the old and new debt service payments) of $590,702, and incurred an accounting gain of $113,922 (difference between reacquisition price and net carrying amount of the old debt), which is shown in the following table:

2013 A School Improvement Bonds	
Bonds Outstanding	$4,085,000
Premium on Bonds	173,341
Total 2013 A School Improvement Refunding Bonds	4,258,341
Payment to Refunding Bond Escrow Agent - Other Financing Use	(4,144,419)
2013 A school Improvement Refunding Bonds Accounting Gain	$113,922

The bonds were sold at a premium of $246,092. Proceeds of $4,144,419 were deposited into a trust account with an escrow agent. At June 30, 2020, $3,995,000 of the refunded bonds were still outstanding.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, are as follows:

	Direct Placement		
Fiscal Year Ending June 30,	Serial/Term Bonds Principal	Serial/Term Bonds Interest	Total
2021	$357,000	$130,059	$487,059
2022	366,000	118,221	484,221
2023	110,000	110,350	220,350
2024	110,000	108,563	218,563
2025	130,000	106,913	236,913
2026-2030	755,000	450,562	1,205,562
2031-2035	910,000	290,525	1,200,525
2036-2040	1,045,000	163,725	1,208,725
2041-2043	685,000	34,500	719,500
Total	$4,468,000	$1,513,418	$5,981,418

The School District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the General Fund, Food Service, Title VI-B and Title I Special Revenue Funds. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: General Fund, Food Service, Title VI-B, and Title I Special Revenue Funds. For additional information related to the net pension/OPEB liabilities see Note 11 and 12.

The School District's overall legal debt margin was $2,959,294 with an unvoted debt margin of $93,251 at June 30, 2020.

NOTE 16 - INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the fiscal year ended June 30, 2020, were as follows:

		Transfer To
		All Other Governmental Funds
Transfer From	All Other Governmental Funds	$973

Interfund Balances

Interfund balances at June 30, 2020, consist of the following individual interfund receivables and payable:

		Payable
		Nonmajor Governmental Funds
Receivable	General Fund	$913,716

The advances from the General Fund to the Capital Projects fund were made to cover expenditures in the capital fund. The General Fund will be reimbursed when the monies are received or when balances become available.

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving grant monies. When the monies are finally received, the grant fund reimburses the General Fund for the initial advance.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

Metropolitan Educational Technology Association (META)

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice president and twelve board members who represent the members of META. The Board works with META's Chief Executive Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid META $121,169 for services provided during the fiscal year. Financial information can be obtained from META Solutions, Ashley Widby, CFO, 100 Executive Drive, Marion Ohio 43302.

Great Oaks Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. Great Oaks Institute of Technology and Career Development was formed for the purpose of providing vocational education opportunities to the students of the school district including students of Goshen Local School District. The School District has no ongoing financial interest in, nor responsibility for the Institute. The School District made no contributions during the fiscal year. The Board exercises total control over the operations of the Institute including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Complete financial statements for Great Oaks Institute of Technology and Career Development can be obtained from the Chief Financial Officer at 3254 East Kemper Road, Cincinnati, Ohio 45241.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 18 - SET-ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. 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 identifies the change in the fiscal year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2019	$0
Current Fiscal Year Set-aside Requirement	169,766
Current Fiscal Year Offsets	(169,766)
Set-aside Balance as of June 30, 2020	$0

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 19 - CONTINGENCIES

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 affect 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.

School 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, additional ODE adjustments for fiscal year 2020 are not 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 a liability of, the School District.

Litigation

The School District is of the opinion that the ultimate disposition of any legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 20 – ENDOWMENTS

The School District's permanent funds include donor-restricted endowments. The Net Position-Non-Expendable amounts of $45,320 represent the principal portion of the endowments. The Net Position – Expendable amount of $994 represents the interest earnings on donor-restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment's intent. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

NOTE 21 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	$310,756
Other Governmental Funds	20,304
Total	$331,060

Contractual Commitments

The outstanding construction commitments at June 30, 2020, are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/20
Howland Asphalt Sealcoating LLC	$29,000	$0	$29,000

NOTE 22 - ACCOUNTABILITY

At June 30, 2020, the Title VI-B and Title I Grant Special Revenue funds had deficit fund balances of $6,631 and $4,596, respectively. The General Fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

NOTE 23 – COVID 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the School District. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or State, cannot be estimated.

Fairfield 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 Fiscal Years (1)

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.04102630%	0.03998730%	0.03954390%
School District's Proportionate Share of the Net Pension Liability	$2,454,676	$2,290,147	$2,362,662
School District's Covered Payroll	$1,512,593	$1,345,793	$1,228,600
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	162.28%	170.17%	192.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03794290%	0.03750130%	0.03839700%	0.03839700%
$2,777,071	$2,139,859	$1,943,250	$2,283,346
$1,224,564	$1,134,400	$1,105,099	$1,071,305
226.78%	188.63%	175.84%	213.14%
62.98%	69.16%	71.70%	65.52%

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Fairfield 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 Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.04202070%	0.04045850%	0.03978850%	0.03796590%
School District's Proportionate Share of the Net OPEB Liability	$1,056,733	$1,122,428	$1,067,819	$1,082,169
School District's Covered Payroll	$1,512,593	$1,345,793	$1,228,600	$1,224,564
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	69.86%	83.40%	86.91%	88.37%
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 for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.03403712%	0.03397379%	0.03289397%
School District's Proportionate Share of the Net Pension Liability	$7,527,105	$7,470,074	$7,814,033
School District's Covered Payroll	$4,262,000	$3,777,936	$3,811,514
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	176.61%	197.73%	205.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03189157%	0.03006111%	0.03008676%	0.03008680%
$10,675,070	$8,308,013	$7,318,141	$8,717,322
$3,603,471	$3,132,371	$3,053,169	$3,139,131
296.24%	265.23%	239.69%	277.70%
66.80%	72.10%	74.70%	69.30%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.03403712%	0.03397379%	0.03289397%	0.03189157%
School District's Proportionate Share of the Net OPEB Liability (Asset)	($563,737)	($545,924)	$1,283,401	$1,705,569
School District's Covered Payroll	$4,262,000	$3,777,936	$3,811,514	$3,603,471
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered - Payroll	-13.23%	-14.45%	33.67%	47.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	$197,526	$204,200	$181,682	$172,004
Contributions in Relation to the Contractually Required Contribution	(197,526)	(204,200)	(181,682)	(172,004)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$1,410,900	$1,512,593	$1,345,793	$1,228,600
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	27,476	33,102	28,104	20,116
Contributions in Relation to the Contractually Required Contribution	(27,476)	(33,102)	(28,104)	(20,116)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.95%	2.19%	2.09%	1.64%
Total Contributions as a Percentage of Covered Payroll (2)	15.95%	15.69%	15.59%	15.64%

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

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
$171,439	$149,474	$153,167	$148,269	$157,396	$168,977
(171,439)	(149,474)	(153,167)	(148,269)	(157,396)	(168,977)
$0	$0	$0	$0	$0	$0
$1,224,564	$1,134,400	$1,105,099	$1,071,305	$1,170,228	$1,344,285
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
17,130	26,079	18,085	18,257	21,576	33,299
(17,130)	(26,079)	(18,085)	(18,257)	(21,576)	(33,299)
$0	$0	$0	$0	$0	$0
1.40%	2.30%	1.64%	1.70%	1.84%	2.48%
15.40%	15.48%	15.50%	15.54%	15.29%	15.05%

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	$585,362	$596,680	$528,911	$533,612
Contributions in Relation to the Contractually Required Contribution	(585,362)	(596,680)	(528,911)	(533,612)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (2)	$4,181,157	$4,262,000	$3,777,936	$3,811,514
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
$504,486	$438,532	$396,912	$408,087	$406,405	$406,592
(504,486)	(438,532)	(396,912)	(408,087)	(406,405)	(406,592)
$0	$0	$0	$0	$0	$0
$3,603,471	$3,132,371	$3,053,169	$3,139,131	$3,126,192	$3,127,631
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
$0	$0	$30,532	$31,391	$31,262	$31,276
0	0	(30,532)	(31,391)	(31,262)	(31,276)
$0	$0	$0	$0	$0	$0
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions - SERS

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

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

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.0 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS OPEB

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

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

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

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OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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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*

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

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 Fairfield Local School District, Highland County, (the District) as of and for the years ended June 30, 2021 and 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 September 12, 2022, wherein we noted during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We also noted in both 2021 and 2020 the financial impact of COVID-19 and the continuing emergency measures, which 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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

Keith Faber
Auditor of State
Columbus, Ohio
September 12, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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

Fairfield Local School District
Highland County
11611 State Route 771
Leesburg, Ohio 45135

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Fairfield 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 Fairfield Local School District's major federal programs for the year ended June 30, 2021. 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 Each Major Federal Program

In our opinion, Fairfield 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, 2021.

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 major federal programs, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have also audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fairfield Local School District, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our unmodified report thereon dated September 12, 2022. Our opinion also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We conducted our audit to opine on the District's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2022

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FAIRFIELD LOCAL SCHOOL DISTRICT
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021 AND 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)?**	No
(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):**	84.425D – Elementary and Secondary School Emergency Relief fund (ESSER) Child Nutrition Cluster
(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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE
KEITH FABER

FAIRFIELD LOCAL SCHOOL DISTRICT

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/29/2022

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