



OHIO AUDITOR OF STATE
KEITH FABER



**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2021**

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Elementary and Secondary School Emergency Relief (ESSER) Funds 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 22 to the financial statements, during 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities". We did not modify our opinion regarding this 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 School District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 21, 2022

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**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

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

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- Net position of governmental activities increased \$485,926. This was primarily due to a decrease in total liabilities in the amount of \$655,235 and a decrease in total deferred inflows of resources in the amount of \$76,994. This was partially offset by a decrease in total assets in the amount of \$213,515 and a decrease in deferred outflows of resources in the amount of \$32,788.
- General revenues accounted for \$13,249,247 or 76% of all revenues. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for \$4,204,816 or 24% of total revenues of \$17,454,063. The School District had \$16,968,137 in expenses related to governmental activities.
- The General Fund and the Elementary and Secondary School Emergency Relief Fund (ESSER Fund) are the School District's major funds. The General Fund had \$14,321,796 in revenues and \$13,560,504 in expenditures. The General Fund's balance increased \$688,493. The ESSER Fund had \$635,843 in revenues and \$127,130 in expenditures. The ESSER Fund's balance increased \$508,713.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

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

These two statements report the School District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District's activities are all considered to be Governmental Activities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the ESSER Fund.

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

With the implementation of GASB 84 in 2021, student activity funds are now being reported as governmental activities. Governmental activities in Table 1 have been restated for fiscal year 2020.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

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 2021 compared to 2020 (restated).

Table 1
Net Position

	Governmental Activities		
	2021	2020 Restated	Variance
Assets			
Current and Other Assets	\$10,053,732	\$8,927,045	\$1,126,687
Capital Assets, Net	16,709,649	18,049,851	(1,340,202)
Total Assets	26,763,381	26,976,896	(213,515)
Deferred Outflows of Resources			
Pension	2,707,660	2,827,589	(119,929)
OPEB	370,067	282,926	87,141
Total Deferred Outflows of Resources	3,077,727	3,110,515	(32,788)
Liabilities			
Other Liabilities	1,802,408	2,167,613	(365,205)
Long-term Liabilities			
Due Within One Year	257,467	259,059	(1,592)
Due in More Than One Year			
Net Pension Liability	15,772,953	15,523,263	249,690
Net OPEB Liability	1,116,806	1,428,856	(312,050)
Other Amounts	802,154	1,028,232	(226,078)
Total Liabilities	19,751,788	20,407,023	(655,235)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance			
Current Year Operations	3,060,950	3,221,208	(160,258)
Pension	1,087,397	1,260,856	(173,459)
OPEB	1,916,553	1,659,830	256,723
Total Deferred Inflows of Resources	6,064,900	6,141,894	(76,994)
Net Position			
Net Investment in Capital Assets	16,459,649	17,554,851	(1,095,202)
Restricted	2,025,080	1,335,623	689,457
Unrestricted (Deficit)	(14,460,309)	(15,351,980)	891,671
Total Net Position	\$4,024,420	\$3,538,494	\$485,926

Total assets decreased \$213,515 mainly due to decreases in accrued interest receivable, property taxes receivable, net OPEB asset and net depreciable capital assets. These decreases were partially offset by increases in equity in pooled cash and cash equivalents and intergovernmental receivable. Deferred outflows of resources decreased \$32,788 due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities.

Total liabilities decreased \$655,235 mainly due to decreases in accounts payable, accrued wages and benefits payable, intergovernmental payable, accrued interest payable, accrued vacation benefits payable, long-term liabilities due within one year, long term liabilities due in more than one year, and net OPEB liability. This was partially offset by an increase in net pension liability. Deferred inflows of resources decreased \$76,994 due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

Table 2 shows the changes in net position for the fiscal year ended June 30, 2021 compared to 2020. Revenue increased \$1,078,853, mostly due to increases in operating grants and contributions, property taxes, grants and entitlements, proceeds from sale of capital assets and insurance recoveries and miscellaneous. These increases were partially offset by decreases in charges for services and sales and investment earnings. Program expenses decreased \$485,150 with the largest decrease being in regular instruction. There were also decreases in vocational instruction, student intervention services, instructional staff, administration, fiscal, business, operation and maintenance of plant, pupil transportation, central, operation of non-instructional services, extracurricular activities and interest and fiscal charges. Program expenses that increased were special instruction, other instruction, pupils and board of education.

Table 2
Changes in Net Position

	Governmental Activities		
	2021	2020	Variance
Revenues			
Program Revenues			
Charges for Services and Sales	\$812,911	\$1,043,728	(\$230,817)
Operating Grants and Contributions	3,391,905	2,251,753	1,140,152
Total Program Revenues	4,204,816	3,295,481	909,335
General Revenues			
Property Taxes	4,613,051	4,570,050	43,001
Grants and Entitlements	8,368,677	8,293,942	74,735
Investment Earnings	27,060	53,521	(26,461)
Proceeds from Sale of Capital Assets	9,300	0	9,300
Insurance Recoveries and Miscellaneous	231,159	162,216	68,943
Total General Revenues	13,249,247	13,079,729	169,518
Total Revenues	17,454,063	16,375,210	1,078,853

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2021	2020	Variance
Program Expenses			
Instruction			
Regular	\$8,870,499	\$9,219,760	(\$349,261)
Special	2,051,032	2,025,364	25,668
Vocational	81,617	86,197	(4,580)
Student Intervention Services	8,335	8,941	(606)
Other	53,956	39,410	14,546
Support Services:			
Pupils	814,153	677,451	136,702
Instructional Staff	326,808	361,904	(35,096)
Board of Education	118,081	53,625	64,456
Administration	1,108,537	1,171,109	(62,572)
Fiscal	386,472	398,768	(12,296)
Business	4,140	6,744	(2,604)
Operation and Maintenance of Plant	1,639,484	1,699,935	(60,451)
Pupil Transportation	555,338	675,932	(120,594)
Central	20,180	20,430	(250)
Operation of Non-Instructional Services	591,336	638,354	(47,018)
Extracurricular Activities	330,577	356,549	(25,972)
Interest and Fiscal Charges	7,592	12,814	(5,222)
Total Expenses	16,968,137	17,453,287	(485,150)
Change in Net Position	485,926	(1,078,077)	1,564,003
Net Position at Beginning of Year -Restated	3,538,494	N/A	
Net Position at End of Year	<u>\$ 4,024,420</u>	<u>\$ 3,538,494</u>	<u>\$ 485,926</u>

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2021	2021	2020	2020
Program Expenses				
Instruction:				
Regular	\$8,870,499	\$7,775,153	\$9,219,760	\$8,431,055
Special	2,051,032	628,335	2,025,364	693,131
Vocational	81,617	59,632	86,197	63,576
Student Intervention Services	8,335	(12,468)	8,941	8,474
Other	53,956	23,720	39,410	37,504
Support Services:				
Pupils	814,153	126,195	677,451	329,193
Instructional Staff	326,808	297,315	361,904	322,208
Board of Education	118,081	112,677	53,625	50,845
Administration	1,108,537	1,037,683	1,171,109	1,107,931
Fiscal	386,472	369,239	398,768	378,738
Business	4,140	4,047	6,744	6,629
Operation and Maintenance of Plant	1,639,484	1,536,857	1,699,935	1,589,884
Pupil Transportation	555,338	486,365	675,932	644,113
Central	20,180	19,277	20,430	19,387
Operation of Non-Instructional Services:				
Food Service Operations	591,336	140,709	638,354	219,736
Extracurricular Activities	330,577	150,993	356,549	242,588
Interest and Fiscal Charges	7,592	7,592	12,814	12,814
Total	\$16,968,137	\$12,763,321	\$17,453,287	\$14,157,806

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

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,370,507, expenditures of \$15,797,500 and total other financing sources (uses) of \$9,300 which resulted in a net increase in total governmental fund balances of \$1,582,307.

The fund balance of the General Fund increased \$688,493. This increase is \$297,232 more than in fiscal year 2020 when the fund balance of the General fund increased \$391,261. This was due to increases in property taxes, intergovernmental, and miscellaneous revenue. In addition, there were decreases in expenditures for vocational and student intervention services instruction as well as decreases in expenditures for support services for pupils, instructional staff, administration, fiscal, business, operation and maintenance of plant, pupil transportation and central. There were also decreases in expenditures for extracurricular activities. The General Fund's unassigned fund balance of \$1,659,385 represents twelve percent of current year expenditures.

The fund balance of the ESSER Fund increased \$508,713. The ESSER Fund has an unassigned fund balance of \$0.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

General Fund Budgeting Highlights

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

During the course of fiscal year 2021 the School District amended its General Fund budget as needed to reflect unexpected increases/decreases in revenues and expenditures. For the General Fund, budget basis revenue was \$788,435 less than the original estimate of \$14,945,000 and \$338,435 less than the final estimate of \$14,495,000 mainly due to less than expected intergovernmental revenue, interest and tuition and fees.

Budget basis expenditures were \$1,341,565 less than the original estimate of \$15,004,504 and \$841,564 less than the final estimate of \$14,504,503. The primary reason for this is regular, vocational and student intervention services instruction expenses were less than expected.

The School District's ending unobligated General Fund balance was \$2,296,974.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the School District had \$16,709,649 invested in land and land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2021 balances compared to 2020.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2021	2020
Land and Land Improvements	\$445,337	\$475,976
Buildings and Improvements	14,714,609	15,905,715
Furniture and Equipment	1,309,166	1,477,541
Vehicles	240,537	190,619
Totals	\$16,709,649	\$18,049,851

See note 8 for more information on capital assets.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
UNAUDITED**

Debt

At June 30, 2021, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
General Obligation Tax Refunding Bonds	\$250,000	\$495,000

See Note 13 for information on Debt.

On April 4, 2012 the School District issued general obligation bonds for the purpose of refunding 1999 bonds maturing on December 1, 2017 and December 1, 2021 in the aggregate amount of \$1,720,000 with a final maturity at December 1, 2021.

Economic Factors

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

Contacting the School District's Financial Management

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

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

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,383,337
Accrued Interest Receivable	1,199
Intergovernmental Receivable	629,309
Property Taxes Receivable	4,130,746
Net OPEB Asset	909,141
Nondepreciable Capital Assets	445,337
Depreciable Capital Assets, Net	16,264,312
<i>Total Assets</i>	26,763,381
Deferred Outflows of Resources	
Pension	2,707,660
OPEB	370,067
<i>Total Deferred Outflows of Resources</i>	3,077,727
Liabilities	
Accounts Payable	111,721
Accrued Wages and Benefits Payable	1,465,092
Intergovernmental Payable	145,341
Accrued Interest Payable	426
Accrued Vacation Benefits Payable	79,828
Long-Term Liabilities:	
Due Within One Year	257,467
Due in More Than One Year	802,154
Net Pension Liability	15,772,953
Net OPEB Liability	1,116,806
<i>Total Liabilities</i>	19,751,788
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	3,060,950
Pension	1,087,397
OPEB	1,916,553
<i>Total Deferred Inflows of Resources</i>	6,064,900
Net Position	
Net Investment in Capital Assets	16,459,649
Restricted For:	
Debt Service	302,138
Capital Outlay	5,000
Other Purposes	1,717,942
Unrestricted (Deficit)	(14,460,309)
<i>Total Net Position</i>	\$4,024,420

See the accompanying notes to the basic financial statements.

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

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales		Operating Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$8,870,499	\$365,164	\$730,182	(\$7,775,153)
Special	2,051,032	70,460	1,352,237	(628,335)
Vocational	81,617	3,697	18,288	(59,632)
Student Intervention Services	8,335	68	20,735	12,468
Other	53,956	1,998	28,238	(23,720)
Support Services:				
Pupils	814,153	23,464	664,494	(126,195)
Instructional Staff	326,808	18,340	11,153	(297,315)
Board of Education	118,081	5,404	0	(112,677)
Administration	1,108,537	52,895	17,959	(1,037,683)
Fiscal	386,472	17,233	0	(369,239)
Business	4,140	93	0	(4,047)
Operation and Maintenance of Plant	1,639,484	68,465	34,162	(1,536,857)
Pupil Transportation	555,338	23,270	45,703	(486,365)
Central	20,180	903	0	(19,277)
Operation of Non-Instructional Services	591,336	63,665	386,962	(140,709)
Extracurricular Activities	330,577	97,792	81,792	(150,993)
Interest and Fiscal Charges	7,592	0	0	(7,592)
Totals	\$16,968,137	\$812,911	\$3,391,905	(12,763,321)

General Revenues

Property Taxes Levied for:	
General Purposes	4,310,731
Debt Service	237,091
Classroom Facilities Maintenance	65,229
Grants and Entitlements not Restricted to Specific Programs	8,368,677
Investment Earnings	27,060
Gain Sale of Capital Assets	9,300
Miscellaneous	231,159
Total General Revenues	13,249,247
Change in Net Position	485,926
Net Position Beginning of Year-Restated	3,538,494
Net Position End of Year	\$4,024,420

See the accompanying notes to the basic financial statements.

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

	General Fund	ESSER Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,759,412	\$0	\$1,623,925	\$4,383,337
Receivables:				
Accrued Interest	1,199	0	0	1,199
Interfund	29,538	0	0	29,538
Intergovernmental	95,659	319,472	214,178	629,309
Property Taxes	3,859,972	0	270,774	4,130,746
<i>Total Assets</i>	<u>\$6,745,780</u>	<u>\$319,472</u>	<u>\$2,108,877</u>	<u>\$9,174,129</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$96,627	\$0	\$15,094	\$111,721
Accrued Wages and Benefits Payable	1,285,782	8,470	170,840	1,465,092
Interfund Payable	0	26,363	3,175	29,538
Intergovernmental Payable	119,603	1,186	24,552	145,341
<i>Total Liabilities</i>	<u>1,502,012</u>	<u>36,019</u>	<u>213,661</u>	<u>1,751,692</u>
Deferred Inflows of Resources				
Property Taxes not Levied to Finance Current Year Operations	2,859,895	0	201,055	3,060,950
Unavailable Revenue:				
Property Taxes	235,803	0	16,431	252,234
Grants	56,854	0	114,884	171,738
<i>Total Deferred Inflows of Resources</i>	<u>3,152,552</u>	<u>0</u>	<u>332,370</u>	<u>3,484,922</u>
Fund Balances				
Nonspendable	5,823	0	0	5,823
Restricted	0	283,453	1,604,489	1,887,942
Committed	272,691	0	0	272,691
Assigned	153,317	0	0	153,317
Unassigned (Deficit)	1,659,385	0	(41,643)	1,617,742
<i>Total Fund Balances</i>	<u>2,091,216</u>	<u>283,453</u>	<u>1,562,846</u>	<u>3,937,515</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$6,745,780</u>	<u>\$319,472</u>	<u>\$2,108,877</u>	<u>\$9,174,129</u>

See the accompanying notes to the basic financial statements.

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

Total Governmental Fund Balances		\$3,937,515
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,709,649
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	252,234	
Intergovernmental	171,738	
		423,972
Vacation benefits payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(79,828)
The net pension/OPEB liability (asset) is not due and payable in the current period. Therefore, the liability (asset) and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows-pension	2,707,660	
Deferred outflows-OPEB	370,067	
Deferred inflows-pension	(1,087,397)	
Deferred inflows-OPEB	(1,916,553)	
Net pension liability	(15,772,953)	
Net OPEB asset	909,141	
Net OPEB liability	(1,116,806)	
Total		(15,906,841)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(426)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds	(250,000)	
Sick Leave Benefits Payable	(809,621)	
		(1,059,621)
Net Position of Governmental Activities		\$4,024,420

See the accompanying notes to the basic financial statements.

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

	General Fund	ESSER Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$4,299,069	\$0	\$301,527	\$4,600,596
Intergovernmental	9,084,344	635,843	1,933,872	11,654,059
Investment Earnings	27,060	0	0	27,060
Tuition and Fees	641,421	0	0	641,421
Extracurricular Activities	22,524	0	87,555	110,079
Gifts and Donations	20,480	0	24,242	44,722
Charges for Services	0	0	61,411	61,411
Miscellaneous	226,898	0	4,261	231,159
Total Revenues	14,321,796	635,843	2,412,868	17,370,507
Expenditures				
Current:				
Instruction:				
Regular	7,139,492	50,478	369,720	7,559,690
Special	1,535,141	24,118	478,304	2,037,563
Vocational	79,812	0	0	79,812
Student Intervention Services	1,480	6,855	0	8,335
Other	43,631	8,815	0	52,446
Support Services:				
Pupils	502,151	18,013	283,005	803,169
Instructional Staff	313,914	0	7,200	321,114
Board of Education	118,025	0	0	118,025
Administration	1,111,120	0	0	1,111,120
Fiscal	374,941	0	9,000	383,941
Business	2,040	0	0	2,040
Operation and Maintenance of Plant	1,494,682	0	40,556	1,535,238
Pupil Transportation	497,641	0	0	497,641
Central	19,720	0	0	19,720
Operation of Non-Instructional Services	55,609	724	522,496	578,829
Extracurricular Activities	205,812	18,127	66,563	290,502
Capital Outlay	65,293	0	80,013	145,306
Debt Service:				
Principal Retirement	0	0	245,000	245,000
Interest and Fiscal Charges	0	0	8,009	8,009
Total Expenditures	13,560,504	127,130	2,109,866	15,797,500
Excess of Revenues Over Expenditures	761,292	508,713	303,002	1,573,007
Other Financing Sources (Uses)				
Transfers In	65,690	0	82,099	147,789
Insurance Recoveries	9,300	0	0	9,300
Transfers Out	(147,789)	0	0	(147,789)
Total Other Financing Sources (Uses)	(72,799)	0	82,099	9,300
Net Change in Fund Balances	688,493	508,713	385,101	1,582,307
Beginning (Deficit) Fund Balances, July 1-Restated	1,402,723	(225,260)	1,177,745	2,355,208
Ending Fund Balances, June 30	\$2,091,216	\$283,453	\$1,562,846	\$3,937,515

See the accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds		\$1,582,307
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Asset Additions	145,306	
Depreciation Expense	<u>(1,454,869)</u>	(1,309,563)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(30,639)
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		
Pensions	1,115,391	
OPEB	<u>33,225</u>	1,148,616
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities (assets) are reported as pension/OPEB expense in the statement of activities.		
Pensions	(1,311,551)	
OPEB	<u>103,329</u>	(1,208,222)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due:		
Accrued Interest Payable		417
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Taxes	12,455	
Intergovernmental	<u>61,801</u>	74,256
Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		245,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Vacation Benefits Payable	1,084	
Sick Leave Benefits Payable	<u>(17,330)</u>	(16,246)
Change in Net Position of Governmental Activities		<u>\$485,926</u>

See the accompanying notes to the basic financial statements.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$4,045,000	\$4,045,000	\$4,201,401	\$156,401
Intergovernmental	9,764,500	9,609,500	9,084,290	(525,210)
Interest	75,000	75,000	33,947	(41,053)
Tuition and Fees	910,500	615,500	611,252	(4,248)
Miscellaneous	150,000	150,000	225,675	75,675
<i>Total Revenues</i>	<u>14,945,000</u>	<u>14,495,000</u>	<u>14,156,565</u>	<u>(338,435)</u>
Expenditures				
Current:				
Instruction:				
Regular	8,250,042	7,740,241	7,113,148	627,093
Special	1,520,940	1,520,940	1,545,627	(24,687)
Vocational	82,946	82,946	80,018	2,928
Student Intervention Services	8,941	8,941	1,480	7,461
Other	40,351	40,351	42,166	(1,815)
Support Services:				
Pupils	578,960	578,960	506,368	72,592
Instructional Staff	335,954	335,954	304,783	31,171
Board of Education	118,125	118,125	121,488	(3,363)
Administration	1,103,897	1,103,897	1,098,255	5,642
Fiscal	376,849	376,849	378,437	(1,588)
Business	2,205	2,205	2,040	165
Operation and Maintenance of Plant	1,664,383	1,616,589	1,534,623	81,966
Pupil Transportation	604,442	596,743	544,954	51,789
Central	19,970	19,970	19,720	250
Operation of Non-Instructional Services	53,914	53,914	52,128	1,786
Extracurricular Activities	242,585	242,585	252,411	(9,826)
Capital Outlay	0	65,293	65,293	0
<i>Total Expenditures</i>	<u>15,004,504</u>	<u>14,504,503</u>	<u>13,662,939</u>	<u>841,564</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(59,504)	(9,503)	493,626	503,129
Other Financing Sources (Uses)				
Advances In	5,000	5,000	532	(4,468)
Proceeds from Sale of Capital Assets	0	0	9,300	9,300
Insurance Recoveries	50,000	0	0	0
Transfers Out	(140,000)	(140,001)	(147,789)	(7,788)
Advances Out	(532)	(532)	(29,538)	(29,006)
<i>Total Other Financing Sources (Uses)</i>	<u>(85,532)</u>	<u>(135,533)</u>	<u>(167,495)</u>	<u>(31,962)</u>
<i>Net Change in Fund Balances</i>	(145,036)	(145,036)	326,131	471,167
<i>Beginning Fund Balances, July 1</i>	1,825,808	1,825,808	1,825,808	0
<i>Prior Year Encumbrances Appropriated</i>	145,035	145,035	145,035	0
<i>Ending Fund Balances, June 30</i>	<u>\$1,825,807</u>	<u>\$1,825,807</u>	<u>\$2,296,974</u>	<u>\$471,167</u>

See the accompanying notes to the basic financial statements.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$320,000	\$316,371	(\$3,629)
<i>Total Revenues</i>	0	320,000	316,371	(3,629)
Expenditures				
Current:				
Instruction:				
Regular	0	0	277,545	(277,545)
Special	0	0	24,000	(24,000)
Student Intervention Services	0	0	6,855	(6,855)
Support Services:				
Pupils	302,232	320,000	18,013	301,987
Extracurricular Activities	0	0	18,127	(18,127)
<i>Total Expenditures</i>	302,232	320,000	344,540	(24,540)
<i>Excess of Revenues Under Expenditures</i>	(302,232)	0	(28,169)	(28,169)
Other Financing Sources (Uses)				
Advances In	302,232	0	26,363	26,363
Advances Out	0	0	(532)	(532)
<i>Total Other Financing Sources (Uses)</i>	302,232	0	25,831	25,831
<i>Net Change in Fund Balances</i>	0	0	(2,338)	(2,338)
<i>Beginning Fund Balances, July 1</i>	0	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0	0
<i>Ending Fund Balances, June 30</i>	\$0	\$0	(\$2,338)	(\$2,338)

See the accompanying notes to the basic financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected, five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 55 classified employees, 95 certificated full time teaching personnel and 9 administrators who provide services to 1,548 students.

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. The statements ordinarily distinguish between activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

ESSER Fund Congress set aside approximately \$13.2 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the Coronavirus Aid Relief, and Economic Security (CARES) Act for the Elementary and Secondary School Emergency Relief Fund (ESSER Fund). Signed into law on March 27, 2020, the Department awarded these grants to State educational agencies for the purpose of providing local educational agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the Nation. The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA), was signed into law on December 27, 2020 and provides an additional \$54.3 billion for the Elementary and Secondary School Emergency Relief Fund

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

(ESSER II Fund).

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, tuition and fees, and certain grants.

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

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations have been recorded as deferred inflows of resources on the statement of net position and on the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2021. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are further explained in Notes 11 and 12.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2021, investments were limited to overnight repurchase agreements and certificates of

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

deposit. These nonparticipating investment contracts and certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$27,060 which includes \$17,081 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. The certificates of deposit are presented on the financial statements as cash equivalents.

F. Capital Assets

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

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

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

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

G. Compensated Absences

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after fifteen years of current service with the School District. The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid. The School District reported no matured compensated absences payable at June 30, 2021.

H. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and certificates of participation are recognized as an expenditure and liability on the governmental fund financial statements when due. 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.

I. Interfund Activity

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

J. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

K. Fund Balance

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

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

L. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities for classroom facilities maintenance and federal and state grants restricted to expenditure for specified purposes. The government wide statement of net position reports \$2,025,080 of restricted net position, none of which has resulted from enabling legislation.

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 2 – Summary of Significant Accounting Policies (Continued)

and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

N. 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.

O. Budgetary Process

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

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

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

Note 3 - Accountability

The following funds had deficit fund balances at June 30, 2021:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Food Service	\$ 39,545
Title II-A Supporting Effective Instruction	2,098

The deficits are due to recognition of accrued liabilities in accordance with GAAP. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, Unclaimed Monies, Insurance Contingency, and Termination Benefits Funds.

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

Net Change in Fund Balance		
	General	ESSER
GAAP Basis	\$688,493	\$508,713
Revenue Accruals	(230,389)	(293,109)
Expenditure Accruals	(50,138)	(215,604)
Encumbrances	(81,835)	(2,338)
Budget Basis	<u>\$326,131</u>	<u>(\$2,338)</u>

Note 5 - Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 5 – Deposits and Investments (Continued)

(FDIC) and by a surety bond issued by the School District's financial institution.

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

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30,

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 5 – Deposits and Investments (Continued)

2021, \$1,607,255 of the School District’s total bank balance of \$2,107,255 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

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

Investments: The School District’s investments are reported at fair value. As of June 30, 2021, the School District had the following investment:

	Fair Value	Maturity
Repurchase Agreements	\$2,465,812	1 day

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District’s recurring fair value measurements as of June 30, 2021. All investments of the School District are valued using quoted market prices (Level 1 inputs).

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

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

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2021:

Investment Type	Fair Value	% of Total
Repurchase Agreements	\$2,465,812	100%

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues 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 law at thirty-five 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 revenues received in calendar year 2021 represent collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020, and are collected in 2021 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fairland Local School District. The School District receives property taxes from Lawrence County and Gallia County. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the 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 represents real property, public utility property, and tangible personal property taxes which were 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 not levied to finance current year operations.

At June 30, 2021, \$817,562 is recognized as revenue: \$764,274 in the General Fund, \$42,035 in the Bond Retirement Fund and \$11,253 in the Classroom Facilities Special Revenue Fund. At June 30, 2020, \$713,017 is recognized as revenue: \$666,606 in the General Fund, \$36,663 in the Bond Retirement Fund and \$9,748 in the Classroom Facilities Special Revenue Fund.

Property taxes for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 6 – Property Taxes (Continued)

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

	2020 Second- Half Collections		2021 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$224,976,360	96%	\$225,702,420	96%
Public Utility Personal	8,591,740	4%	9,104,660	4%
Total	\$233,568,100	100%	\$234,807,080	100%
Tax rate per \$1,000 of assessed valuation		\$21.60		\$21.60

Note 7 - Receivables

Receivables at June 30, 2021 consisted of accrued interest, property taxes and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund	\$95,659
Special Revenue Funds:	
Food Service Fund	10,079
ESSER Fund	319,472
Special Education - Grants to States	106,953
Title I Grants to Local Educational Agencies	82,572
Supporting Effective Instruction State Grants	10,391
Student Support and Academic Enrichment	4,183
Total Special Revenue Funds	<u>533,650</u>
Total Intergovernmental Receivables	<u>\$629,309</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 8 - Capital Assets

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

	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2021</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	\$475,976	\$0	(\$30,639)	\$445,337
Total Capital Assets not being Depreciated	<u>475,976</u>	<u>0</u>	<u>(30,639)</u>	<u>445,337</u>
Depreciable Capital Assets:				
Buildings and Improvements	42,226,464	34,310	0	42,260,774
Furniture and Equipment	4,300,185	17,499	(15,046)	4,302,638
Vehicles	1,560,964	93,497	(249,035)	1,405,426
Total Capital Assets being Depreciated	<u>48,087,613</u>	<u>145,306</u>	<u>(264,081)</u>	<u>47,968,838</u>
Less Accumulated Depreciation				
Buildings and Improvements	(26,320,749)	(1,225,416)	0	(27,546,165)
Furniture and Equipment	(2,822,644)	(185,874)	15,046	(2,993,472)
Vehicles	(1,370,345)	(43,579)	249,035	(1,164,889)
Total Accumulated Depreciation	<u>(30,513,738)</u>	<u>(1,454,869)</u> *	<u>264,081</u>	<u>(31,704,526)</u>
Total Capital Assets being Depreciated, Net	<u>17,573,875</u>	<u>(1,309,563)</u>	<u>0</u>	<u>16,264,312</u>
Capital Assets, Net	<u>\$18,049,851</u>	<u>(\$1,309,563)</u>	<u>(\$30,639)</u>	<u>\$16,709,649</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,278,866
Special	\$1,762
Vocational	434
Other	1,229
Support Services:	
Instructional Staff	4,016
Business	2,100
Operation of Plant	69,158
Pupil Transportation	45,204
Central	460
Food Service Operations	13,135
Extracurricular Activities	38,505
Total Depreciation Expense	<u>\$1,454,869</u>

The School District's capital assets reported above include \$6,264,960 in fully depreciated assets that are still being utilized by the School District.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 9 - Risk Management

Property and Liability

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

During fiscal year 2021, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool for property, fleet, and liability insurance. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 16).

The type and amount of coverage provided follows:

Building and Contents-replacement cost (\$2,500 deductible)	\$71,384,386
Automobile Liability:	
Liability	2,000,000
Medical Payments	5,000
Uninsured Motorists	1,000,000

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

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

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

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 16). The firm of CompManagement provided administrative, cost control and actuarial services to the GRP for this purchasing pool until March 2021 when it was announced that CompManagement and CareWorks Comp merged to become Sedgwick. 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.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 9 – Risk Management (Continued)

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

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

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

Note 10 - Employee Benefits

A. Compensated Absences

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

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 325 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 70 days.

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

B. Life Insurance and Health Care Benefits

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

Dental coverage is provided through The Guardian Life Insurance Company of America. Premiums for this coverage are \$71.67 monthly for family and \$21.25 monthly for single coverage. Certified employees contribute \$7 for family coverage and \$2 for single coverage. Classified employees contribute \$4 for family coverage and \$2 for single coverage.

**FAIRLAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 10 – Employee Benefits (Continued)

Health insurance is provided by the Lawrence County Schools Council of Governments Health Benefits Program (see Note 16). Premiums for this coverage are \$2,214 for family coverage and \$896 for single coverage. The School District pays 85% of the premium for certified employees who were hired prior to September 1, 2015 and classified employees who are not members of the non-teaching bargaining unit. The School District pays 80% of the premium for certified employees hired on or after September 1, 2015. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014.

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

Note 11 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for 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 this estimate annually.

The 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 all 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

The School District's contractually required contributions to SERS were \$234,531 for fiscal year 2021. Of this amount, \$0 was reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 zero percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 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. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 after termination of employment at age 50 or later.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

options as one defined benefit plan for GASB 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2021, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2021 contribution rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District’s contractually required contributions to STRS were \$880,860 for fiscal year 2021. Of this amount, \$151,712 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05524310%	0.05524894%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04923200%</u>	<u>0.05172928%</u>	
Change in Proportionate Share	<u>-0.00601110%</u>	<u>-0.00351966%</u>	
Proportionate Share of the Net Pension Liability	\$3,256,308	\$12,516,645	\$15,772,953
Pension Expense	\$91,918	\$1,219,633	\$1,311,551

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$6,324	\$28,086	\$34,410
Changes of assumptions	0	671,902	671,902
Net difference between projected and actual earnings on pension plan investments	206,711	608,685	815,396
Changes in proportion and differences between School District contributions and proportionate share of contributions	100	70,461	70,561
School District contributions subsequent to the measurement date	<u>234,531</u>	<u>880,860</u>	<u>1,115,391</u>
Total Deferred Outflows of Resources	<u>\$447,666</u>	<u>\$2,259,994</u>	<u>\$2,707,660</u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$0	\$80,034	\$80,034
Changes in proportion and differences between School District contributions and proportionate share of contributions	<u>276,317</u>	<u>731,046</u>	<u>1,007,363</u>
Total Deferred Inflows of Resources	<u>\$276,317</u>	<u>\$811,080</u>	<u>\$1,087,397</u>

\$1,115,391 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, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	(\$194,170)	\$180,943	(\$13,227)
2023	(19,892)	65,988	46,096
2024	86,163	196,554	282,717
2025	<u>64,717</u>	<u>124,569</u>	<u>189,286</u>
Total	<u>(\$63,182)</u>	<u>\$568,054</u>	<u>\$504,872</u>

Actuarial Assumptions - SERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

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:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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 for the five-year period ended June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>5.00</u>	6.65
Total	<u>100.00 %</u>	

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$4,460,745	\$3,256,308	\$2,245,763

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. 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.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$17,821,524	\$12,516,645	\$8,021,202

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

GASB 75 assumes the liability (asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability (asset). Resulting adjustments to the net OPEB liability (asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual and modified accrual bases of accounting.

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

**FAIRLAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 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 \$33,225.

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 \$33,225 for fiscal year 2021. The entire amount of \$33,225 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

OPEB Liabilities (Assets), 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.05681810%	0.05524894%	
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	<u>0.05138690%</u>	<u>0.05172928%</u>	
Change in Proportionate Share	<u>-0.00543120%</u>	<u>-0.00351966%</u>	
Proportionate Share of the Net			
OPEB Liability	\$1,116,806	\$0	\$1,116,806
OPEB Asset	\$0	(\$909,141)	(\$909,141)
OPEB Expense	(\$52,026)	(\$51,303)	(\$103,329)

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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Note 12 – Postemployment Benefits (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$14,669	\$58,254	\$72,923
Changes of assumptions	190,377	15,008	205,385
Net difference between projected and actual earnings on pension plan investments	12,584	31,864	44,448
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	14,086	14,086
School District contributions subsequent to the measurement date	<u>33,225</u>	<u>0</u>	<u>33,225</u>
Total Deferred Outflows of Resources	<u><u>\$250,855</u></u>	<u><u>\$119,212</u></u>	<u><u>\$370,067</u></u>
<i>Deferred Inflows of Resources</i>			
Differences between expected and actual experience	\$567,973	\$181,088	\$749,061
Changes of assumptions	\$28,129	\$863,530	\$891,659
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>270,916</u>	<u>4,917</u>	<u>275,833</u>
Total Deferred Inflows of Resources	<u><u>\$867,018</u></u>	<u><u>\$1,049,535</u></u>	<u><u>\$1,916,553</u></u>

\$33,225 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	(\$131,553)	(\$232,012)	(\$363,565)
2023	(344,379)	(210,445)	(554,824)
2024	(83,222)	(202,879)	(286,101)
2025	(61,142)	(198,200)	(259,342)
2026	(29,092)	(42,031)	(71,123)
Thereafter	<u>0</u>	<u>(44,756)</u>	<u>(44,756)</u>
Total	<u><u>(\$649,388)</u></u>	<u><u>(\$930,323)</u></u>	<u><u>(\$1,579,711)</u></u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

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:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments 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-

**FAIRLAND LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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 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 prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the 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.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$1,366,942	\$1,116,806	\$917,947
	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	\$879,399	\$1,116,806	\$1,434,278

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 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.5 percent initial, 4 percent ultimate
Medicare	11.87 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 the June 30, 2020 enrollment distribution.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.984 percent to 2.055 percent per year of service effective January 1, 2021. 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 Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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 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 actual rate of return, without net value added by management.

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 Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. 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.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 12 – Postemployment Benefits (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$791,012)	(\$909,141)	(\$1,009,370)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$1,003,148)	(\$909,141)	(\$794,627)

Note 13 - Long Term Obligations

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

	Principal Outstanding 6/30/2020	Additions	Reductions	Principal Outstanding 6/30/2021	Amounts Due in One Year
Governmental Activities					
Direct Placement:					
GO Tax Refunding Bonds 2012 - 2.15%	\$495,000	\$0	\$245,000	\$250,000	\$250,000
Net Pension Liability	15,523,263	249,690	0	15,772,953	0
Net OPEB Liability	1,428,856		312,050	1,116,806	0
Sick Leave Benefits	792,291	86,894	69,564	809,621	7,467
<hr/>					
Total Governmental Activities					
Long-Term Liabilities	\$18,239,410	\$336,584	\$626,614	\$17,949,380	\$257,467

On April 4, 2012 the School District issued general obligation bonds for the purpose of refunding the 1999 bonds maturing on December 1, 2017 and December 1, 2021 in the aggregate outstanding amount of \$1,720,000 with a final maturity at December 1, 2021. The General Obligation Tax Refunding Bonds will be paid from the Bond Retirement Fund. The School District refunded its debt to reduce its total debt service payments over ten years by \$377,970 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$19,466.

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

Annual requirement to general obligation tax refunding bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	250,000	2,688	252,688
Total	\$250,000	\$2,688	\$252,688

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 13 - Long Term Obligations (Continued)

The overall debt margin of the School District as of June 30, 2021 was \$21,171,806 with an unvoted debt margin of \$234,807.

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

Note 14 - Interfund Activity and Balances

A. Transfers

During fiscal year 2021 the General Fund made a transfer to the Food Service Fund in the amount of \$82,099 and a transfer to the Uniform School Supplies Fund in the amount of \$15,690 to cover deficit balances in those funds. One transfer of \$50,000 was made from the General Fund to the Severance Fund. In accordance with Governmental Accounting Standards Board Statement No. 54, the School District combined the Uniform School Supplies Fund and the Severance Fund with the General Fund for financial reporting purposes. Although funds were rolled together on the Financial Statements, the transfers were still reported in the Financial Statements. They appear as intrafund transfers within the General Fund.

B. Interfund Balances

The General Fund reports an interfund receivable in the amount of \$29,538 as a result of an advance from the General Fund to the Elementary and Secondary School Emergency Relief Fund in the amount of \$26,363 and an advance from the General Fund to the Special Education Grants to States Fund in the amount of \$3,175.

Note 15 - Jointly Governed Organization

Metropolitan Educational Technology Association Regional Council of Governments (META)

The Metropolitan Educational Technology Association Regional Council of Governments (META) is organized under ORC Code Chapter 167 as a regional council of governments. META is a product of the merger of the Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), South Eastern Ohio Voluntary Education Cooperative (SEOVEC) and Metropolitan Dayton Educational Cooperative Association (MDECA) and the Asset Purchase Agreement entered into with South Central Ohio Computer Association (SCOCA). META subsumes and integrates in a single entity the formerly distinct functions, membership and personnel of MEC, TRECA, SEOVEC, MDECA and SCOCA. META operates as, and has all the powers of, a Data Acquisition Site/Information Technology Center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing.

A full member of META is a city, county, exempted village, local, joint vocational or cooperative education school district or educational service center that meets the membership qualifications. The General Assembly of META consists of one delegate from each full member. The member's superintendent (or equivalent official) or his/her designee serves as the member's delegate to the General Assembly. The sole authority of the General Assembly is to discuss and make recommendations to the Board of Directors regarding services rendered by the Association, a basic fee schedule, new Association ventures, the election of officers as provided in the by-laws, the annual estimate and apportionment of Association Costs, the annual Association budget, and other matters referred to the General Assembly by the Board of Directors or Chief Executive Officer.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 15 - Jointly Governed Organization (Continued)

The Board of Directors of META consists of thirteen (13) voting directors, each a superintendent or business official (treasurer, technology officer or business manager) representing a different full member of META. All five regions (Athens, Columbus, Dayton, Marion and Piketon) may be represented on the board with two members for each region and three at-large members. Only the superintendent or business official of a board of education of a full member is eligible to serve as a voting director of the Board of Directors. The Board of Directors shall approve new Association ventures, approve and amend the annual Association budget, approve a basic fee schedule, approve the annual estimate and apportionment of Association costs, elect officers as provided in the by-laws, amend the Association constitution, call the General Assembly together as needed and/or act on any other matter related to the business of the Association. The School District paid META \$124,057 for services provided during the fiscal year. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

Note 16 - Public Entity Risk Pools

A. Insurance Purchasing Pools

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

For fiscal year 2021 the School District participated in the Ohio School Boards Association Workers' Compensation GRP, also an insurance purchasing pool. Each year the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Shared Risk Pool

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

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 17 - Set-Aside Calculations and Fund Balance Restrictions

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish set-aside balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget stabilization set-aside. During fiscal year 2004, the Board of Education approved maintaining the budget stabilization funds in the budget stabilization set-aside pursuant to State Statute and at June 30, 2021, this continues to be set aside.

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

	<u>Budget Stabilization</u>	<u>Capital Acquisition</u>
Set-Aside Balance as of June 30, 2020	\$43,460	\$0
Current Year Set-Aside Requirement	0	278,774
Current Year Offsets	0	(275,772)
Qualifying Disbursements	0	(91,482)
Totals	<u>\$43,460</u>	<u>(\$88,480)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$43,460</u>	<u>\$0</u>
Set-Aside Balance as of June 30, 2021	<u>\$43,460</u>	<u>\$0</u>

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 18 – Fund Balances

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

	General Fund	ESSER Fund	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>				
Unclaimed Monies	\$5,823		\$0	\$5,823
<i>Restricted:</i>				
Classroom Projects and Maintenance	0		745,316	745,316
Other Purposes	0	283,453	484,712	768,165
Debt Service	0		289,169	289,169
Extracurricular Activities	0		85,292	85,292
Total Restricted	0	283,453	1,604,489	1,887,942
<i>Committed:</i>				
Insurance Contingency	55,097		0	55,097
Severance Benefits	217,594		0	217,594
Other Purposes	0		0	0
Total Committed	272,691		0	272,691
<i>Assigned:</i>				
Other Purposes	52,156		0	52,156
Student and Staff Support	101,161		0	101,161
Total Assigned	153,317		0	153,317
<i>Unassigned (Deficit)</i>	1,659,385		(41,643)	1,617,742
<i>Total Fund Balances</i>	\$2,091,216	\$283,453	\$1,562,846	\$3,937,515

Note 19 - Significant Commitments

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

Fund	Amount
General	\$83,900
ESSER	2,338
Nonmajor Governmental Funds	55,120
Total	\$141,358

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 20 - Contingencies

A. Grants

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

B. Litigation

The School District is currently not a party to any legal proceedings.

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust / reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2021 Foundation funding for the School District and does not anticipate any further FTE adjustments for fiscal year 2021.

Note 21 – 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 \$387,387 in expenditures 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.

In August of 2021, the Board of Education approved a Memorandum of Understanding with FACT regarding stipends to be paid from ESSER funds. This payment did occur in August 2021 for a total of \$419,725.

Note 22 – New Accounting Principles and Restatement of Balances

For fiscal year 2021, the School District implemented GASB Statement No. 84, “Fiduciary Activities” and related guidance from (GASB) Implementation Guide No. 2019-2, “Fiduciary Activities.” 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 determined that certain funds should be reclassified as governmental funds. These fund reclassifications resulted in the restatement of the School District’s financial statements.

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Note 22 – New Accounting Principles and Restatement of Balances (Continued)

The implementation of GASB Statement No. 84 had the following effect on fund balance as of June 30, 2020:

	Other Governmental Funds
Fund Balance, As Reported, June 30, 2020	\$906,477
<i>Adjustments:</i>	
GASB 84	46,008
Reclass of Fund as Major	225,260
Fund Balance, As Restated, July 1, 2020	\$1,177,745

The implementation of GASB Statement No. 84 had the following effect on net position as of June 30, 2020:

	Governmental Activities
Net Position, As Reported, June 30, 2020	\$3,492,486
<i>Adjustments:</i>	
GASB 84	46,008
Net Position, As Restated, July 1, 2020	\$3,538,494

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 continuing emergency measures will impact subsequent periods of the School District. 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 gains or 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 additional 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.

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

	2014	2015	2016	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>								
School District's proportion of the net pension liability	0.06072489%	0.06072489%	0.05822600%	0.05599997%	0.05444467%	0.05498407%	0.05524894%	0.05172928%
School District's proportionate share of the net pension liability	\$17,594,398	\$14,770,395	\$16,091,964	\$18,744,878	\$12,933,448	\$12,089,762	\$12,217,971	\$12,516,645
School District's covered-employee payroll	\$7,039,838	\$6,749,092	\$6,099,836	\$6,047,657	\$5,885,029	\$6,307,014	\$6,506,286	\$6,186,043
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.9%	218.9%	263.8%	310.0%	219.8%	191.7%	187.8%	202.3%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%	77.3%	77.4%	75.5%
<i>School Employees Retirement System</i>								
School District's proportion of the net pension liability	0.06318000%	0.06318000%	0.06217360%	0.06339690%	0.06032890%	0.06034240%	0.05524310%	0.04923200%
School District's proportionate share of the net pension liability	\$3,757,112	\$3,197,504	\$3,547,686	\$4,640,068	\$3,604,519	\$3,455,921	\$3,305,292	\$3,256,308
School District's covered-employee payroll	\$1,755,932	\$1,727,893	\$1,871,750	\$1,968,871	\$2,224,286	\$1,875,178	\$1,905,319	\$1,685,814
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.0%	185.1%	189.5%	235.7%	162.1%	184.3%	173.5%	193.2%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%	71.4%	70.9%	68.6%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.
See accompanying notes to the required supplementary information.

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

	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>					
School District's proportion of the net OPEB liability (asset)	0.05599997%	0.05444467%	0.05498407%	0.05524894%	0.05172928%
School District's proportionate share of the net OPEB liability (asset)	\$2,911,715	\$2,124,230	(\$883,538)	(\$915,055)	(\$909,141)
School District's covered-employee payroll	\$6,047,657	\$5,885,029	\$6,307,014	\$6,506,286	\$6,186,043
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	48.1%	36.1%	-14.0%	-14.1%	-14.7%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.3%	47.1%	176.0%	174.7%	182.1%
<i>School Employees Retirement System</i>					
School District's proportion of the net OPEB liability	0.06339690%	0.06132230%	0.06123260%	0.05681810%	0.05138690%
School District's proportionate share of the net OPEB liability	\$1,747,912	\$1,645,729	\$1,698,758	\$1,428,856	\$1,116,806
School District's covered-employee payroll	\$1,968,871	\$2,224,286	\$1,875,178	\$1,905,319	\$1,685,814
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	88.8%	74.0%	90.6%	75.0%	66.2%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%	13.6%	15.6%	18.2%

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

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>State Teachers Retirement System</i>										
Contractually required contribution - pension	\$833,254	\$915,179	\$877,382	\$853,977	\$846,672	\$823,904	\$882,982	\$910,880	\$866,046	\$880,860
Contractually required contribution - OPEB	64,096	70,398	67,491	0	0	0	0	0	0	0
Contractually required contribution - total	897,350	985,577	944,873	853,977	846,672	823,904	882,982	910,880	866,046	880,860
Contributions in relation to the contractually required contribution	897,350	985,577	944,873	853,977	846,672	823,904	882,982	910,880	866,046	880,860
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$6,409,646	\$7,039,838	\$6,749,092	\$6,099,836	\$6,047,657	\$5,885,029	\$6,307,014	\$6,506,286	\$6,186,043	\$6,291,857
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution - pension	\$237,708	\$243,021	\$239,486	\$246,697	\$275,642	\$311,400	\$253,149	\$257,218	\$236,014	\$234,531
Contractually required contribution - OPEB (1)	9,720	2,809	2,419	15,348	0	0	9,376	9,527	0	0
Contractually required contribution - total	247,428	245,830	241,905	262,045	275,642	311,400	262,525	266,745	236,014	234,531
Contributions in relation to the contractually required contribution	247,428	245,830	241,905	262,045	275,642	311,400	262,525	266,745	236,014	234,531
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District's covered-employee payroll	\$1,767,346	\$1,755,932	\$1,727,893	\$1,871,750	\$1,968,871	\$2,224,286	\$1,875,178	\$1,905,319	\$1,685,814	\$1,675,221
Contributions as a percentage of covered-employee payroll - pension	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%	13.50%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%	0.50%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

See accompanying notes to the required supplementary information.

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State Teachers Retirement System

Pension

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2015 through 2017. For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017. There were no changes to benefit terms for fiscal years 2019 through 2021.

Changes in assumptions

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

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

- Inflation assumptions were lowered from 2.75 percent to 2.50 percent.
- Investment return assumptions were lowered from 7.75 percent to 7.45 percent.
- Total salary increases rates were lowered by decreasing merit component of the individual salary increases, as well as by 0.25 percent due to lower inflation.
- Payroll growth assumptions were lowered from 3.50 percent to 3.00 percent.
- Updated the health and disability mortality assumption to the RP-2014 mortality tables with generational improvement scale MP-2016.
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

OPEB

Changes in benefit terms

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

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

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

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

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

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

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.

Changes in assumptions

There were no changes in assumptions for fiscal year 2017.

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

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

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

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

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

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

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

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

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

School Employees Retirement System

Pension

Changes in benefit terms

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

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

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

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

There were no changes to benefit terms for fiscal years 2020 through 2021.

Changes in assumptions

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

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00-22.00 percent to 3.50-18.20 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disable member was updated to the following:
 - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

OPEB

Changes in benefit terms

There were no changes to benefit terms for fiscal years 2017 through 2021.

Changes in assumptions

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

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00-22.00 percent to 3.50-18.2 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to the following:
 - 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 was updated to the following:
 - RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

- The discount rate was increased from 2.98 percent to 3.63.
- The municipal bond index rate increased from 2.95 percent to 3.56 percent.

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

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

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

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

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

- The discount rate was changed from 3.7 percent to 3.22 percent

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

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

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FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Grant Year	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2020-2021	\$ 0	\$ 10,441
Cash Assistance:				
COVID-19 National School Lunch Program	10.555	2020-2021	0	25,815
National School Lunch Program	10.555	2020-2021	0	256,821
Total National School Lunch Program			0	293,077
School Breakfast Program	10.553	2020-2021	0	76,359
COVID -19 School Breakfast Program	10.553	2020-2021	0	5,828
Total School Breakfast Program			0	82,187
Total Child Nutrition Cluster			0	375,264
Total U.S. Department of Agriculture			0	375,264
U.S. DEPARTMENT OF TREASURY				
<i>Passed Through Ohio Department of Education</i>				
COVID-19 Coronavirus Relief Fund	21.019	2021	0	76,999
<i>Passed Through Rome Township</i>				
COVID-19 Coronavirus Relief Fund	21.019	2021	0	35,000
Total U.S. Department of Treasury			0	111,999
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2020 2021	0 0	66,561 284,659
Total Title I Grants to Local Educational Agencies			0	351,220
Special Education Cluster:				
Special Education Grants to States	84.027	2020 2021	0 0	53,998 315,064
Total Special Education Grants to States			0	369,062
Total Special Education Cluster				369,062
Supporting Effective Instruction State Grants	84.367	2020 2021	0 0	10,918 45,435
Total Supporting Effective Instruction State Grants			0	56,353
Student Support and Academic Enrichment Program	84.424	2021	0	25,875
COVID-19 Education Stabilization Fund	84.425D	2021 2022	0 0	292,576 49,626
Total COVID-19 Education Stabilization Fund			0	342,202
Total U.S. Department of Education			0	1,144,712
Total Expenditures of Federal Awards			\$ 0	\$ 1,631,975

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with 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 Fairland Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 21, 2022. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 21, 2022

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio
March 21, 2022

**FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY**

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

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):	COVID-19 Education Stabilization Fund – Federal AL- #84.425D
(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?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

OHIO AUDITOR OF STATE KEITH FABER



FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/31/2022

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

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