



OHIO AUDITOR OF STATE
KEITH FABER



**FEDERAL-HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY
JUNE 30, 2021**

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**FEDERAL-HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Federal-Hocking Local School District
Athens County
8461 State Route 144
Stewart, Ohio 45778

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 Federal-Hocking Local School District, Athens 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 budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 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. Also, as discussed in Note 3 to the financial statements, during 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. 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/Assets 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 (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 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 3, 2022

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Federal Hocking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

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

Financial Highlights

Key financial highlights for the fiscal year 2021 are as follows:

- Net position of governmental activities decreased \$680,347.
- General revenues accounted for \$13,345,792 in revenues or 74% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,590,109 or 26% of total revenues of \$17,935,901.
- The School District had \$18,616,248 in expenses related to governmental activities; only \$4,590,109 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues of \$13,345,792 were not adequate to provide for these programs.
- The School District's two major funds were the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund's balance increased \$191,814 and the Permanent Improvement Capital Projects Fund's balance decreased \$574,634.

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 Federal Hocking Local 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.

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Unaudited

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.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in 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, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds All 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.

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Unaudited

Table 1
Net Position
Governmental Activities

	2021	Restated 2020	Change
Assets			
Current and Other Assets	\$14,601,086	\$14,380,619	\$220,467
Capital Assets	10,926,448	10,297,015	629,433
Net OPEB Asset	853,628	785,453	68,175
Total Assets	26,381,162	25,463,087	918,075
Deferred Outflows of Resources			
Asset Retirement Obligation	20,300	21,200	(900)
Pension	3,362,172	3,362,954	(782)
OPEB	614,638	497,897	116,741
Total Deferred Outflows of Resources	3,997,110	3,882,051	115,059
Liabilities			
Current and Other Liabilities	1,700,293	1,826,771	(126,478)
Long-term Liabilities:			
Due Within One Year	254,439	257,283	(2,844)
Due in More Than One year:			
Net Pension Liability	16,009,688	14,289,457	1,720,231
Net OPEB Liability	1,436,927	1,620,978	(184,051)
Other Amounts	2,125,492	2,282,933	(157,441)
Total Liabilities	21,526,839	20,277,422	1,249,417
Deferred Inflows of Resources			
Property Taxes	4,320,414	3,667,755	652,659
Pension	75,453	614,447	(538,994)
OPEB	1,747,804	1,397,405	350,399
Total Deferred Inflows of Resources	6,143,671	5,679,607	464,064
Net Position			
Investment in Capital Assets	9,762,997	9,603,908	159,089
Restricted	1,970,308	1,558,754	411,554
Unrestricted (Deficits)	(9,025,543)	(7,774,553)	(1,250,990)
Total Net Position	\$2,707,762	\$3,388,109	(\$680,347)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2021. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Unaudited

with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Current and other assets increased \$220,467 from fiscal year 2020. Equity in pooled cash and cash equivalents increased \$234,413. Cash and cash equivalents in escrow accounts decreased \$876,393 due to the completion of the HVAC project. Intergovernmental receivables and capital assets increased by \$303,676 and \$629,433 respectively. Current and other liabilities decreased \$126,478, mainly due to a decrease in contracts and accounts payable.

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

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Unaudited

Table 2
Changes in Net Position

	2021	Restated 2020	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$879,184	\$973,185	(\$94,001)
Operating Grants, Contributions and Interest	3,710,925	3,343,333	367,592
Total Program Revenues	<u>4,590,109</u>	<u>4,316,518</u>	273,591
General Revenues:			
Property Taxes	4,410,378	3,863,848	546,530
Grants and Entitlements	8,619,536	8,419,666	199,870
Investment Earnings	7,892	118,565	(110,673)
Gifts and Donations	0	27,737	(27,737)
Miscellaneous	307,986	199,371	108,615
Total General Revenues	<u>13,345,792</u>	<u>12,629,187</u>	716,605
Total Revenues	<u>17,935,901</u>	<u>16,945,705</u>	990,196
Program Expenses			
Instruction:			
Regular	9,300,444	9,492,023	(191,579)
Special	2,386,218	2,182,131	204,087
Vocational	278,648	228,351	50,297
Student Intervention Services	2,156	1,392	764
Support Services:			
Pupils	601,981	520,277	81,704
Instructional Staff	65,457	8,659	56,798
Board of Education	65,462	392,748	(327,286)
Administration	1,257,031	1,296,157	(39,126)
Fiscal	452,943	424,016	28,927
Operation and Maintenance of Plant	1,420,319	1,341,060	79,259
Pupil Transportation	1,574,934	1,662,917	(87,983)
Central	299,134	273,213	25,921
Operation of Non-Instructional Services:			
Food Service Operations	608,809	812,809	(204,000)
Other	18,318	35,792	(17,474)
Extracurricular Activities	254,592	262,815	(8,223)
Interest and Fiscal Charges	29,802	10,483	19,319
Total Expenses	<u>18,616,248</u>	<u>18,944,843</u>	(328,595)
Change in Net Position	(680,347)	(1,999,138)	1,318,791
Net Position Beginning of Year	3,388,109	5,387,247	(1,999,138)
Net Position End of Year	<u>\$2,707,762</u>	<u>\$3,388,109</u>	(\$680,347)

Total program revenues increased \$273,591 from fiscal year 2020 to fiscal year 2021, primarily in the area of operating grants and contributions in the amount of \$367,592. General revenues increased \$716,605, mainly in the area of property taxes in the amount of \$546,530. This is due to the increased funding from the federal grants awarded in 2021. Program expenses decreased \$328,595.

Federal Hocking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2021

Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreased as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 25% of revenues for governmental activities for the School District in fiscal year 2021.

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

Table 3
Governmental Activities

	Total Cost	Net Cost	Restated	Restated
	of Services	of Services	Total Cost	Net Cost
	2021	2021	2020	2020
Program Expenses				
Instruction:				
Regular	\$9,300,444	\$7,539,104	\$9,492,023	\$8,164,220
Special	2,386,218	1,018,639	2,182,131	659,836
Vocational	278,648	172,228	228,351	123,584
Student Intervention Services	2,156	2,156	1,392	1,392
Support Services:				
Pupils	601,981	126,961	520,277	246,948
Instructional Staff	65,457	1,227	8,659	(11,629)
Board of Education	65,462	62,554	392,748	392,748
Administration	1,257,031	1,239,810	1,296,157	1,281,055
Fiscal	452,943	447,825	424,016	424,016
Operation and Maintenance of Plant	1,420,319	1,321,317	1,341,060	1,275,961
Pupil Transportation	1,574,934	1,442,351	1,662,917	1,629,010
Central	299,134	291,668	273,213	263,149
Operation of Non-Instructional Services:				
Food Service Operations	608,809	150,041	812,809	21,731
Other	18,318	242	35,792	(10,977)
Extracurricular Activities	254,592	180,214	262,815	156,798
Interest and Fiscal Charges	29,802	29,802	10,483	10,483
Total	\$18,616,248	\$14,026,139	\$18,944,843	\$14,628,325

The dependence upon tax revenues and State subsidies for governmental activities is apparent. For fiscal year 2021, approximately 75% of governmental activities were supported through taxes and other general revenues.

The School District Funds

The School District's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$14,252,880 and expenditures of \$14,040,914. The General Fund's balance increased \$191,814.

Federal Hocking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

The fund balance of the Permanent Improvement Capital Projects Fund at June 30, 2021, is \$723,436, a decrease of \$574,634 from the prior year, mainly due to the acquisition of capital assets.

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 2021, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

The General Fund had original revenue budget estimates of \$13,942,194. The original budget estimates were increased to the final budget of \$14,038,307. The largest increase was in property taxes of \$246,917. Actual revenues were \$16,511 below final budget estimates.

Original expenditure appropriations were \$14,696,999. The appropriations were decreased to the final budget of \$14,588,567. The increase of \$108,432 was mostly in regular instruction. Actual expenditures were below appropriations by \$525,162 due to the School District monitoring their spending during fiscal year 2021.

The School District's ending unobligated General Fund balance was \$7,069,309.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021, the School District had \$10,926,448 invested in land, 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)

	<u>2021</u>	<u>2020</u>
Land	\$44,623	\$44,623
Construction in Progress	0	938,797
Land Improvements	119,228	126,051
Buildings and Improvements	9,458,118	8,114,595
Furniture and Equipment	287,238	177,279
Vehicles	1,017,241	895,670
Totals	<u>\$10,926,448</u>	<u>\$10,297,015</u>

See Note 11 to the basic financial statements for more information on capital assets,

Federal Hocking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited*

Debt

The School District has a capital lease and an asset retirement obligation outstanding at fiscal year end. The changes from fiscal year 2020 follows:

	2021	2020
Capital Leases	\$1,163,451	\$1,350,000
Asset Retirement Obligation	45,000	45,000
	<u>\$1,208,451</u>	<u>\$1,395,000</u>

See Notes 17 and 18 to the basic financial statements for more information on debt.

Economic Factors

The School District relies on property taxes, along with State funding to fund its day to day operations. While there have been a few new businesses established recently, development of additional business is unlikely during the current economic climate. State funding for fiscal year 2022 is based on the premise of the Fair School Funding Plan. While the School District expects an increase in revenue due to the plan, the establishment of legislative “phase ins” for some elements of the funding plan have delayed any gains the School District would receive.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bruce Steenrod, Treasurer/CFO at Federal Hocking Local School District, 8461 State Route 144, Stewart, Ohio 45778. Or E-Mail at BSteenrod@fhlanders.com.

Federal Hocking Local School District, Ohio

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,379,433
Cash and Cash Equivalents in Segregated Accounts	613
Investments	257,670
Intergovernmental Receivable	990,884
Accounts Receivable	238
Accrued Interest Receivable	57
Prepaid Items	82,325
Inventory Held for Resale	29,834
Materials and Supplies Inventory	17,837
Property Taxes Receivable	4,842,195
Nondepreciable Capital Assets	44,623
Depreciable Capital Assets, Net	10,881,825
Net OPEB Asset	853,628
<i>Total Assets</i>	<u>26,381,162</u>
Deferred Outflows of Resources	
Pension	3,362,172
OPEB	614,638
Asset Retirement Obligation	20,300
<i>Total Deferred Outflows of Resources</i>	<u>3,997,110</u>
Liabilities	
Accounts Payable	57,427
Accrued Wages and Benefits Payable	1,087,127
Accrued Interest Payable	2,337
Matured Compensated Absences Payable	36,800
Intergovernmental Payable	516,602
Long-Term Liabilities:	
Due Within One Year	254,439
Due In More Than One Year:	
Net Pension Liability	16,009,688
Net OPEB Liability	1,436,927
Other Amounts Due in More than One Year	2,125,492
<i>Total Liabilities</i>	<u>21,526,839</u>
Deferred Inflows of Resources	
Property Taxes	4,320,414
Pension	75,453
OPEB	1,747,804
<i>Total Deferred Inflows of Resources</i>	<u>6,143,671</u>
Net Position	
Investment in Capital Assets	9,762,997
Restricted for:	
Capital Improvements	752,000
Food Service Operations	233,744
Student Activities	66,491
Local Grant Programs	32,659
Classroom Facilities	16,140
Athletics and Music Programs	5,128
State Grant Programs	228,584
Federal Grant Programs	635,562
Unrestricted (Deficit)	(9,025,543)
<i>Total Net Position</i>	<u><u>\$2,707,762</u></u>

See accompanying notes to the basic financial statements

Federal Hocking Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Position
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$9,300,444	\$803,514	\$957,826	(\$7,539,104)
Special	2,386,218	0	1,367,579	(1,018,639)
Vocational	278,648	0	106,420	(172,228)
Student Intervention	2,156	0	0	(2,156)
Support Services:				
Pupils	601,981	0	475,020	(126,961)
Instructional Staff	65,457	0	64,230	(1,227)
Board of Education	65,462	0	2,908	(62,554)
Administration	1,257,031	188	17,033	(1,239,810)
Fiscal	452,943	0	5,118	(447,825)
Operation and Maintenance of Plant	1,420,319	215	98,787	(1,321,317)
Pupil Transportation	1,574,934	8,017	124,566	(1,442,351)
Central	299,134	2,228	5,238	(291,668)
Operation of Non-Instructional Services:				
Food Service Operations	608,809	8,047	450,721	(150,041)
Community Services	18,318	509	17,567	(242)
Extracurricular Activities	254,592	56,466	17,912	(180,214)
Interest and Fiscal Charges	29,802	0	0	(29,802)
<i>Totals</i>	<u>\$18,616,248</u>	<u>\$879,184</u>	<u>\$3,710,925</u>	<u>(14,026,139)</u>
 General Revenues				
Property Taxes Levied for:				
General Purposes				3,782,535
Capital Improvements				627,843
Grants and Entitlements not Restricted to Specific Programs				8,619,536
Investment Earnings				7,892
Miscellaneous				307,986
<i>Total General Revenues</i>				<u>13,345,792</u>
<i>Change in Net Position</i>				(680,347)
<i>Net Position Beginning of Year - Restated See Note 3</i>				<u>3,388,109</u>
<i>Net Position End of Year</i>				<u>\$2,707,762</u>

See accompanying notes to the basic financial statements

Federal Hocking Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2021*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,080,854	\$685,413	\$613,166	\$8,379,433
Cash and Cash Equivalents in Segregated Accounts	0	0	613	613
Investments	0	0	257,670	257,670
Receivables:				
Property Taxes	4,147,785	694,410	0	4,842,195
Accounts	153	0	85	238
Accrued Interest	0	0	57	57
Intergovernmental	2,032	0	988,852	990,884
Interfund	87,491	0	0	87,491
Prepaid Items	80,499	0	1,826	82,325
Inventory Held for Resale	0	0	29,834	29,834
Materials and Supplies Inventory	11,299	0	6,538	17,837
<i>Total Assets</i>	<u>\$11,410,113</u>	<u>\$1,379,823</u>	<u>\$1,898,641</u>	<u>\$14,688,577</u>
Liabilities				
Accounts Payable	\$24,161	\$8,788	\$24,478	\$57,427
Accrued Wages and Benefits Payable	942,499	0	144,628	1,087,127
Matured Compensated Absences Payable	36,800	0	0	36,800
Interfund Payable	0	0	87,491	87,491
Intergovernmental Payable	320,042	0	196,560	516,602
<i>Total Liabilities</i>	<u>1,323,502</u>	<u>8,788</u>	<u>453,157</u>	<u>1,785,447</u>
Deferred Inflows of Resources				
Property Taxes	3,703,716	616,698	0	4,320,414
Unavailable Revenue	177,622	30,901	718,433	926,956
<i>Total Deferred Inflows of Resources</i>	<u>3,881,338</u>	<u>647,599</u>	<u>718,433</u>	<u>5,247,370</u>
Fund Balances				
Nonspendable	91,798	0	8,364	100,162
Restricted	0	723,436	685,037	1,408,473
Committed	11,000	0	266,631	277,631
Assigned	86,199	0	10,609	96,808
Unassigned (Deficit)	6,016,276	0	(243,590)	5,772,686
<i>Total Fund Balances</i>	<u>6,205,273</u>	<u>723,436</u>	<u>727,051</u>	<u>7,655,760</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$11,410,113</u>	<u>\$1,379,823</u>	<u>\$1,898,641</u>	<u>\$14,688,577</u>

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances		\$7,655,760
 <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.		10,926,448
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	207,478	
Intergovernmental Revenues	719,478	926,956
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(2,337)
The asset retirement obligation, net pension liability, and net OPEB liability/asset are not due and payable in the current period; therefore, the liability, asset, and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Asset Retirement Obligations	20,300	
Deferred Outflows - Pension	3,362,172	
Deferred Inflows - Pension	(75,453)	
Net Pension Liability	(16,009,688)	
Deferred Outflows - OPEB	614,638	
Deferred Inflows - OPEB	(1,747,804)	
Net OPEB Asset	853,628	
Net OPEB Liability	(1,436,927)	(14,419,134)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Asset Retirement Obligation	(45,000)	
Capital Leases Payable	(1,163,451)	
Compensated Absences Payable	(1,171,480)	(2,379,931)
 <i>Net Position of Governmental Activities</i>		 \$2,707,762

See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$3,803,590	\$631,505	\$0	\$4,435,095
Intergovernmental	9,293,693	74,358	2,724,052	12,092,103
Investment Earnings	7,892	34	1,626	9,552
Tuition and Fees	837,296	0	0	837,296
Extracurricular Activities	2,210	0	56,681	58,891
Charges for Services and Sales	1,856	0	8,047	9,903
Gifts and Donations	9,561	200	39,170	48,931
Miscellaneous	296,782	5,823	5,381	307,986
<i>Total Revenues</i>	<u>14,252,880</u>	<u>711,920</u>	<u>2,834,957</u>	<u>17,799,757</u>
Expenditures				
Current:				
Instruction:				
Regular	7,748,720	191,312	767,884	8,707,916
Special	1,410,163	0	715,614	2,125,777
Vocational	244,319	0	5,464	249,783
Student Intervention Services	2,156	0	0	2,156
Support Services:				
Pupils	169,071	0	372,261	541,332
Instructional Staff	5,626	0	59,831	65,457
Board of Education	40,905	24,557	0	65,462
Administration	1,076,530	10,268	17,500	1,104,298
Fiscal	385,001	43,234	0	428,235
Operation and Maintenance of Plant	1,101,885	80,482	122,462	1,304,829
Pupil Transportation	1,218,015	280,197	54,511	1,552,723
Central	274,533	0	0	274,533
Operation of Non-Instructional Services	1,651	0	628,449	630,100
Extracurricular Activities	145,614	0	99,165	244,779
Capital Outlay	0	656,504	71,931	728,435
Debt Service:				
Principal Retirement	186,549	0	0	186,549
Interest and Fiscal Charges	30,176	0	0	30,176
<i>Total Expenditures</i>	<u>14,040,914</u>	<u>1,286,554</u>	<u>2,915,072</u>	<u>18,242,540</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>211,966</u>	<u>(574,634)</u>	<u>(80,115)</u>	<u>(442,783)</u>
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	551	0	0	551
Transfers In	0	0	20,703	20,703
Transfers Out	(20,703)	0	0	(20,703)
<i>Total Other Financing Sources (Uses)</i>	<u>(20,152)</u>	<u>0</u>	<u>20,703</u>	<u>551</u>
<i>Net Change in Fund Balances</i>	191,814	(574,634)	(59,412)	(442,232)
<i>Fund Balances Beginning of Year</i>	<u>6,013,459</u>	<u>1,298,070</u>	<u>786,463</u>	<u>8,097,992</u>
<i>Fund Balances End of Year</i>	<u>\$6,205,273</u>	<u>\$723,436</u>	<u>\$727,051</u>	<u>\$7,655,760</u>

See accompanying notes to the basic financial statements

Federal Hocking Local School District, Ohio
*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 (\$442,232)

*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 capital outlays exceeded depreciation in the current period:

Capital Asset Additions	1,295,085	
Depreciation Expense	<u>(589,414)</u>	705,671

Capital assets removed from the capital asset account on the statement of net position results in a gain or loss on disposal of capital assets on the statement of activities:

Proceeds from Sale of Assets	(551)	
Loss on Disposal of Capital Assets	<u>(75,687)</u>	(76,238)

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

Delinquent Property Taxes	(24,717)	
Intergovernmental Revenues	187,767	
Tuition and Fees	<u>(26,906)</u>	136,144

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

186,549

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

374

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

Pension	1,209,746	
OPEB	<u>38,568</u>	1,248,314

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	(2,391,765)	
OPEB	<u>(20,000)</u>	(2,411,765)

Amortization of deferred outflows related to the asset retirement obligation is reported as an expense in the statement of activities.

(900)

Compensated absences 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.

(26,264)

Change in Net Position of Governmental Activities

(\$680,347)

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,587,694	\$3,834,611	\$3,838,855	\$4,244
Intergovernmental	9,384,685	9,283,059	9,230,913	(52,146)
Investment Earnings	50,000	8,041	7,892	(149)
Tuition and Fees	866,017	753,929	837,296	83,367
Miscellaneous	53,798	158,667	106,840	(51,827)
<i>Total Revenues</i>	<u>13,942,194</u>	<u>14,038,307</u>	<u>14,021,796</u>	<u>(16,511)</u>
Expenditures				
Current:				
Instruction:				
Regular	14,152,122	14,043,801	7,746,026	6,297,775
Special	2,649	2,649	1,408,486	(1,405,837)
Vocational	1,282	1,282	261,992	(260,710)
Support Services:				
Pupils	0	0	168,758	(168,758)
Instructional Staff	0	0	5,661	(5,661)
Board of Education	9,200	9,200	47,649	(38,449)
Administration	5,920	5,920	1,071,353	(1,065,433)
Fiscal	8,147	8,147	375,154	(367,007)
Operation and Maintenance of Plant	214,143	214,143	1,135,116	(920,973)
Pupil Transportation	81,520	81,520	1,217,016	(1,135,496)
Central	143	143	261,715	(261,572)
Operation of Non-Instructional Services	0	0	293	(293)
Extracurricular Activities	5,037	5,037	147,461	(142,424)
Debt Service:				
Principal	186,549	186,549	186,549	0
Interest	30,287	30,176	30,176	0
<i>Total Expenditures</i>	<u>14,696,999</u>	<u>14,588,567</u>	<u>14,063,405</u>	<u>525,162</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(754,805)</u>	<u>(550,260)</u>	<u>(41,609)</u>	<u>508,651</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	123,000	260,893	259,767	(1,126)
Refund of Prior Year Receipts	0	0	(20,935)	(20,935)
Proceeds from Sale of Capital Assets	0	551	551	0
Transfers Out	(23,500)	(23,500)	(20,703)	2,797
<i>Total Other Financing Sources (Uses)</i>	<u>99,500</u>	<u>237,944</u>	<u>218,680</u>	<u>(19,264)</u>
<i>Net Change in Fund Balance</i>	(655,305)	(312,316)	177,071	489,387
<i>Fund Balance Beginning of Year</i>	6,536,007	6,536,007	6,536,007	0
Prior Year Encumbrances Appropriated	356,231	356,231	356,231	0
<i>Fund Balance End of Year</i>	<u>\$6,236,933</u>	<u>\$6,579,922</u>	<u>\$7,069,309</u>	<u>\$489,387</u>

See accompanying notes to the basic financial statements

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Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Federal Hocking Local School District is a rural school located in Athens County, in the Appalachian region of the State, and consists of the villages of Amesville, Coolville, Guysville, and Stewart. The School District is staffed by 96 certificated employees, 11 administrative employees, and 53 classified employees who provide services to 1,077 students. The School District currently operates two elementary schools, one middle school, one high school, and one garage.

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements 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 Federal Hocking Local School District, this includes general operations, food service, preschool, vocational instruction, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and four insurance purchasing pools. These organizations are the Metropolitan Educational Technology Association (META) Solutions, the Coalition of Rural and Appalachian Schools, the Ohio School Plan, the Ohio School Board Association Workers' Compensation Group Rating Program, the Metropolitan Educational Council, and the Athens County School Employee Health and Welfare Benefit Association. These organizations are presented in Notes 19 and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements usually distinguish between those activities that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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 uses only governmental funds.

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 deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Permanent Improvement Capital Projects Fund This fund accounts for the accumulation of resources from taxes that are used to pay for capital and permanent improvement costs of the School.

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for 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 and current liabilities 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 modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, investment earnings, intergovernmental revenues, charges for services, and fees.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for asset retirement obligations, pension and OPEB plans. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

E. Budgetary Process

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Allocation of appropriations to the function and object levels are made by the Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

Federal Hocking Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

F. Cash and Cash Equivalents

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

The School District has a segregated bank account for athletic activities. This depository account is presented as “cash and cash equivalents in segregated accounts” since it is not deposited into the School District treasury.

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

During fiscal year 2021, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit. These investments are reported at cost.

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2021 amounted to \$7,892, which includes \$917 assigned from other School District funds.

G. Inventory

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

H. Prepaid Items

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

I. Capital Assets

The School District’s only capital assets are general capital assets resulting from expenditures in the governmental funds. General capital 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. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-20 years
Buildings and Improvements	10-50 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which these payments will be paid.

K. 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,

Federal Hocking Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

M. 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.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes 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 or a School District official delegated that authority by resolution or by State Statute.

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.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

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.

N. Pensions /Other Postemployment Benefits (OPEB)

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

O. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items reported for fiscal year 2021.

Q. 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.

R. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net position.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES AND NET POSITION

For fiscal year 2021, the School District implemented the Governmental Accounting Standard Board's (GASB) Statement No. 83, Certain Asset Retirement Obligations. GASB Statement 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The implementation of GASB Statement No. 83 had the following effect on net position as of June 30, 2020:

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

	<u>Governmental Activities</u>
Net Position June 30, 2020	\$3,411,909
Adjustments:	
Asset Retirement Obligation - Liability	(45,000)
Deferred Outflow - Asset Retirement Obligation	<u>21,200</u>
Restated Net Position June 30, 2020	<u><u>\$3,388,109</u></u>

NOTE 4 - FUND BALANCES

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

<u>Fund Balances</u>	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>				
Prepays	\$80,499	\$0	\$1,826	\$82,325
Materials and Supplies Inventory	11,299	0	6,538	17,837
<i>Total Nonspendable</i>	<u>91,798</u>	<u>0</u>	<u>8,364</u>	<u>100,162</u>
<u>Restricted for:</u>				
Local Grant Programs	0	0	32,655	32,655
Food Service Operations	0	0	254,595	254,595
Federal Grant Programs	0	0	81,822	81,822
State Grant Programs	0	0	228,206	228,206
Athletic and Music Programs	0	0	5,128	5,128
Classroom Facilities	0	0	16,140	16,140
Student Activities	0	0	66,491	66,491
Capital Improvements	0	723,436	0	723,436
<i>Total Restricted</i>	<u>0</u>	<u>723,436</u>	<u>685,037</u>	<u>1,408,473</u>
<u>Committed to:</u>				
Scholarships	0	0	266,631	266,631
Underground Storage Tanks	11,000	0	0	11,000
<i>Total Restricted</i>	<u>11,000</u>	<u>0</u>	<u>266,631</u>	<u>277,631</u>
<u>Assigned to:</u>				
Capital Projects	0	0	10,609	10,609
Purchases on Order	44,066	0	0	44,066
Public School Support	42,133	0	0	42,133
<i>Total Assigned</i>	<u>86,199</u>	<u>0</u>	<u>10,609</u>	<u>96,808</u>
Unassigned (Deficit):	6,016,276	0	(243,590)	5,772,686
<i>Total Fund Balances</i>	<u><u>\$6,205,273</u></u>	<u><u>\$723,436</u></u>	<u><u>\$727,051</u></u>	<u><u>\$7,655,760</u></u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 5 - FUND DEFICITS

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

Special Revenue Funds:

Miscellaneous Federal Grants	\$116,170
Elementary and Secondary School Emergency Relief	97,483
Title I	15,131
Title VI-B	13,806
Preschool Grant	1,000
	<u>\$243,590</u>

The deficits in the Special Revenue Funds are the result of over-expended grant resources and accrued liabilities. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 6 - 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 Balances - Budget and Actual (Budget Basis) 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) rather than committed or assigned fund balance (GAAP).
4. Prepaid items and negative cash advances to other funds are reported on the balance sheet (GAAP basis), but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Net Change in Fund Balance

GAAP Basis	\$191,814
Revenue Accruals	54,456
Expenditure Accruals	(137,821)
Beginning:	
Prepaid Items	(42,855)
Negative cash advances to other funds	75,345
Ending:	
Prepaid Items	80,499
Negative cash advances to other funds	(87,491)
To reclassify excess of revenues over expenditures into financial statement fund types	(2,788)
Encumbrances	45,912
Budget Basis	<u><u>\$177,071</u></u>

NOTE 7 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio); and
8. Certain bankers’ acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

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

	Measurement		
	<u>Amount</u>	<u>Maturity</u>	<u>Moody's</u>
Net Asset Value (NAV) Per Share			
Star Ohio	\$4,285,378	Average 54.4 days	Aaa

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 date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments.

Credit Risk All investments carry a rating of Aaa by Moody’s. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District’s investment policy places no limit on the amount it may invest in any one issuer.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 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 revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real property taxes received in calendar year 2020 became a lien December 31, 2019, were levied after April 1, 2020 and are collected with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

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

The amount available as an advance at June 30, 2021, was \$267,492 in the General Fund, and \$46,811 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2020, was \$302,757 in the General Fund and \$52,942 in the Permanent Improvement Capital Projects Fund.

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

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

	2020 First Half Collections		2021 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$136,341,730	74.77%	\$150,106,970	75.22%
Commerical/Industrial and Public Utility Real	12,641,440	6.93%	15,046,940	7.54%
Public Utility Personal	33,364,560	18.30%	34,397,640	17.24%
	<u>\$182,347,730</u>	<u>100.00%</u>	<u>\$199,551,550</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$29.00		\$29.00

NOTE 9 - RECEIVABLES

Receivables at June 30, 2021, consisted of property taxes, accrued interest, accounts (billings for user charged services, and student fees), interfund, 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 fiscal year guarantee of federal funds. Other than delinquent property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be received within one year. The delinquent property taxes amounted to \$207,478.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Title I	\$304,548
21st Century Grants	239,912
Title II-A	96,241
Federal Lunch Reimbursements	76,519
Special Education, Part B-IDEA	56,243
Title IV-A Student Support and Academic Enrichment	54,934
Farm to School Grant	49,431
Elementary and Secondary School Emergency Relief Grant	45,125
Title I Non Competitive Grant	41,575
Expanding Opportunities Grant	9,674
5th Quarter Grant	6,218
Early Childhood Special Education, IDEA	4,799
Rural and Low-Income, Title VI-B	2,703
Foundation	1,045
Medicaid Reimbursement	987
Broadband Connectivity Grant	610
Coronavirus Grant	320
Total	<u>\$990,884</u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 10 - SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$45,912
Permanent Improvement Capital Projects Fund	10,788
Nonmajor Funds	<u>332,948</u>
Total	<u><u>\$389,648</u></u>

NOTE 11 - CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2021</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$44,623	\$0	\$0	\$44,623
Construction in Progress	938,797	734,044	(1,672,841)	0
Total Capital Assets not being Depreciated	<u>983,420</u>	<u>734,044</u>	<u>(1,672,841)</u>	<u>44,623</u>
Depreciable Capital Assets:				
Land Improvements	1,109,077	0	0	1,109,077
Buildings and Improvements	15,065,490	1,749,648	(100,247)	16,714,891
Furniture and Equipment	2,407,021	192,274	0	2,599,295
Vehicles	2,416,338	291,960	(60,695)	2,647,603
Total Capital Assets being Depreciated	<u>20,997,926</u>	<u>2,233,882</u>	<u>(160,942)</u>	<u>23,070,866</u>
Less Accumulated Depreciation				
Land Improvements	(983,026)	(6,823)	0	(989,849)
Buildings and Improvements	(6,950,895)	(329,887)	24,009	(7,256,773)
Furniture and Equipment	(2,229,742)	(82,315)	0	(2,312,057)
Vehicles	(1,520,668)	(170,389)	60,695	(1,630,362)
Total Accumulated Depreciation	<u>(11,684,331)</u>	<u>(589,414) *</u>	<u>84,704</u>	<u>(12,189,041)</u>
Total Capital Assets being Depreciated, Net	<u>9,313,595</u>	<u>1,644,468</u>	<u>(76,238)</u>	<u>10,881,825</u>
Capital Assets, Net	<u><u>\$10,297,015</u></u>	<u><u>\$2,378,512</u></u>	<u><u>(\$1,749,079)</u></u>	<u><u>\$10,926,448</u></u>

* Depreciation expense was charged to governmental functions as follows:

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Instruction:	
Regular	\$173,775
Special	50,207
Vocational	7,859
Support Services:	
Pupils	12,050
Administration	22,091
Fiscal	2,008
Operation and Maintenance of Plant	82,073
Pupil Transportation	206,962
Food Service Operations	28,075
Extracurricular Activities	4,314
Total Depreciation Expense	<u>\$589,414</u>

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District participates in the Ohio School Plan (OSP), a public entity insurance purchasing pool. 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 20).

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

Building and Contents - replacement cost (\$1,000 deductible)	\$58,882,895
Crime (\$1,000 deductible):	
Employee Theft	25,000
Forgery or Alteration	25,000
Inside Premises	10,000
Outside Premises	10,000
Liability:	
Bodily Injury and Property Damage	2,000,000
Personal and Advertising Injury	2,000,000
General Aggregate Limit	4,000,000
Completed Operations Aggregate Limit	2,000,000
Employers' - Stop Gap - Bodily Injury	2,000,000
Educational Legal - Errors and Omissions (\$2,500 deductible):	
Injury Limit	2,000,000
Aggregate Limit	4,000,000
Automobile Liability:	
Liability	2,000,000
Medical Payments - each person	5,000
Uninsured Motorists	1,000,000
Deductibles:	
Comprehensive	250
Collision	500

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

In fiscal year 2021, the School District participated in the Metropolitan Educational Council (MEC), an insurance purchasing pool (See Note 20). MEC helps member school districts receive discounted rates on various items such as their life, property, boiler and machinery, inland marine, crime, and freight insurance, services, supplies, and other items.

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

For fiscal year 2021, the School District was a member of the Athens County School Employee Health and Welfare Benefit Association (the Consortium), an insurance purchasing pool (See Note 20), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health and dental benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability

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

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

Federal Hocking Local School District, Ohio

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was \$368,768 for fiscal year 2021. Of this amount, \$115,759 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

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

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

The School District's contractually required contribution to STRS was \$840,978 for fiscal year 2021. Of this amount, \$160,708 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:

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	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06436640%	0.04857061%	
Prior Measurement Date	<u>0.06354370%</u>	<u>0.04742397%</u>	
Change in Proportionate Share	<u>0.00082270%</u>	<u>0.00114664%</u>	
			<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,257,329	\$11,752,359	\$16,009,688
Pension Expense	\$567,367	\$1,824,398	\$2,391,765

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$8,269	\$26,369	\$34,638
Changes of assumptions	0	630,873	630,873
Net difference between projected and actual earnings on pension plan investments	270,254	571,519	841,773
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	27,600	617,542	645,142
School District contributions subsequent to the measurement date	<u>368,768</u>	<u>840,978</u>	<u>1,209,746</u>
Total Deferred Outflows of Resources	<u>\$674,891</u>	<u>\$2,687,281</u>	<u>\$3,362,172</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$75,148	\$75,148
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>305</u>	<u>0</u>	<u>305</u>
Total Deferred Inflows of Resources	<u>\$305</u>	<u>\$75,148</u>	<u>\$75,453</u>

\$1,209,746 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2022	\$16,764	\$732,092	\$748,856
2023	91,793	330,437	422,230
2024	112,648	407,174	519,822
2025	84,613	301,452	386,065
Total	<u>\$305,818</u>	<u>\$1,771,155</u>	<u>\$2,076,973</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 each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

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

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

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

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

<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	5.00	6.65
 Total	 <u>100.00 %</u>	

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$5,832,021	\$4,257,329	\$2,936,133

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:

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

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

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

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

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

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

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

Federal Hocking Local School District, Ohio

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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	\$16,733,314	\$11,752,359	\$7,531,415

NOTE 14 - DEFINED BENEFIT OPEB PLANS

See Note 13 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a

Federal Hocking Local School District, Ohio

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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 \$38,568.

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 \$38,568 for fiscal year 2021. Of this amount \$38,568 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.06611650%	0.04857061%	
Prior Measurement Date	<u>0.06445780%</u>	<u>0.04742397%</u>	
Change in Proportionate Share	<u>0.00165870%</u>	<u>0.00114664%</u>	<u>Total</u>
Proportionate Share of the:			
Net OPEB Liability	\$1,436,927	\$0	\$1,436,927
Net OPEB (Asset)	\$0	(\$853,628)	(\$853,628)
OPEB Expense	\$32,444	(\$12,444)	\$20,000

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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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$18,872	\$54,696	\$73,568
Changes of assumptions	244,946	14,091	259,037
Net difference between projected and actual earnings on OPEB plan investments	16,191	29,916	46,107
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	69,507	127,851	197,358
School District contributions subsequent to the measurement date	<u>38,568</u>	<u>0</u>	<u>38,568</u>
Total Deferred Outflows of Resources	<u>\$388,084</u>	<u>\$226,554</u>	<u>\$614,638</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$730,778	\$170,030	\$900,808
Changes of assumptions	<u>36,193</u>	<u>810,803</u>	<u>846,996</u>
Total Deferred Inflows of Resources	<u>\$766,971</u>	<u>\$980,833</u>	<u>\$1,747,804</u>

\$38,568 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	(\$81,216)	(\$182,120)	(\$263,336)
2023	(80,044)	(161,871)	(241,915)
2024	(80,235)	(154,765)	(235,000)
2025	(84,984)	(177,026)	(262,010)
2026	(67,660)	(37,512)	(105,172)
Thereafter	<u>(23,316)</u>	<u>(40,985)</u>	<u>(64,301)</u>
Total	<u>(\$417,455)</u>	<u>(\$754,279)</u>	<u>(\$1,171,734)</u>

Actuarial Assumptions - SERS

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

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

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

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

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

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

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

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's proportionate share of the net OPEB liability	\$1,758,764	\$1,436,927	\$1,181,069

	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	\$1,131,471	\$1,436,927	\$1,845,401

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:

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

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

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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$742,712)	(\$853,628)	(\$947,736)

	1% Decrease <u></u>	Current Trend Rate <u></u>	1% Increase <u></u>
School District's proportionate share of the net OPEB asset	(\$941,894)	(\$853,628)	(\$746,106)

NOTE 15 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified and administrative employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated vacation time may be carried forward for the Treasurer and upon approval of the Superintendent, for all other classified employees. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to an unlimited number of days for certified employees and a maximum of 350 days for classified employees. Upon retirement, classified employees may choose between two choices of severance. They can receive severance pay equal to \$40 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of the unused accumulated sick leave to a maximum of 60 days multiplied by the daily rate.

Certified employees can choose between a severance payment equal to \$50 per day of unused accumulated sick leave to a maximum of 350 days or one-fourth of accrued, but unused sick leave credit to a maximum of 60 days paid based on the employee's current rate of pay.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance through Metropolitan Educational Council Group Life Insurance, in the amount of \$30,000 for all employees. The School District also provides vision insurance to its employees through Vision Service Plan.

Health insurance is provided by Huntington Private Financial. Monthly premiums for this coverage are \$2,441.77 for family plans and \$913.91 for single plans. The School District pays 90 percent for single coverage premiums and 85% for family coverage premiums. Dental insurance is also provided by Huntington Private Financial. Monthly premiums for vision are \$15.55 and \$67.56 for dental coverage for family and single plans. The School District pays 100 percent of the dental and vision premiums.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 16 - INTERFUND BALANCES AND TRANSFERS

A. Transfers

The General Fund made transfers to the Food Service and the Student Activity Special Revenue Funds, in the amounts of \$703 and \$20,000, respectively. Transfers were made to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund Balances

Unpaid interfund cash advances due to cash deficits at June 30, 2021, were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$87,491	\$0
Nonmajor Special Revenue Funds:		
Title VI-B	0	11,699
ESSERS Grant	0	53,949
Title I	0	21,426
Miscellaneous Federal Grants	0	417
Total All Funds	<u>\$87,491</u>	<u>\$87,491</u>

NOTE 17 - CAPITAL LEASES

In a previous fiscal year, the School District entered into a capital lease for improvements in the School District's HVAC systems. The lease meets the criteria of a capital lease, which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for governmental funds.

The assets acquired by the capital leases are as follows:

Buildings and Improvements	\$1,749,648
Less: Accumulated Depreciation	<u>(21,764)</u>
Total	<u>\$1,727,884</u>

Future minimum lease payments for this lease are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$182,550	\$25,840	\$208,390
2023	186,950	21,387	208,337
2024	191,455	16,827	208,282
2025	196,069	12,157	208,226
2026	200,794	7,375	208,169
2027	205,633	2,478	208,111
	<u>\$1,163,451</u>	<u>\$86,064</u>	<u>\$1,249,515</u>

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

NOTE 18 - LONG-TERM OBLIGATIONS

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

	Restated Principal Outstanding 6/30/20	Additions	Deductions	Principal Outstanding 6/30/21	Amounts Due Within One Year
Net Pension Liability:					
STRS	\$10,487,526	\$1,264,833	\$0	\$11,752,359	\$0
SERS	3,801,931	455,398	0	4,257,329	0
Total Net Pension Liability	<u>14,289,457</u>	<u>1,720,231</u>	<u>0</u>	<u>16,009,688</u>	<u>0</u>
Net OPEB Liability - SERS	1,620,978	0	184,051	1,436,927	0
Capital Leases Payable	1,350,000	0	186,549	1,163,451	182,550
Compensated Absences	1,145,216	102,688	76,424	1,171,480	71,889
Asset Retirement Obligation	45,000	0	0	45,000	0
Total Long-Term Obligations	<u>\$18,450,651</u>	<u>\$1,822,919</u>	<u>\$447,024</u>	<u>\$19,826,546</u>	<u>\$254,439</u>

Compensated absences will be paid from the fund from which the employees’ salaries are paid. These funds include the General Fund and the Food Service Special Revenue Fund. There is no repayment schedule for the net pension and OPEB liabilities. However, employee pension contributions are made from the following funds: the General Fund and the Title IDEA-B Grant, Title I Grant, Title II-A Grant, Vocational Education Enhancement, and Food Service Special Revenue Funds. For additional information related to the net pension and OPEB liabilities, see Notes 13 and 14.

The School District will be required to pay future obligations related to the asset retirement of certain assets when they are removed from service. For additional information related to the asset retirement obligation, see Note 23.

The School District's overall debt margin was \$17,959,640, with an unvoted debt margin of \$199,552 at June 30, 2021.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META) Solutions, formed from the merger of the Metropolitan Educational Council (MEC) and the Southern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. 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. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent’s designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2021, the School District paid \$32,206 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2021, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

NOTE 20 - INSURANCE PURCHASING POOLS

A. Ohio School Plan

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 thirteen 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.

B. Ohio School Boards Association Workers' Compensation Group Rating Program

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

C. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), an insurance purchasing pool. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The organization is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries in Ohio.

Federal Hocking Local School District, Ohio

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For the Fiscal Year Ended June 30, 2021*

The governing board of MEC is composed of either the superintendent, a designated representative, or a member of the board of education for each participating school district in Franklin County, and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program.

D. Athens County School Employee Health and Welfare Benefit Association

The School District participates in a consortium of seven districts to operate the Athens County School Employee Health and Welfare Benefit Association. The Association was created to provide health care and dental benefits for the employees and eligible dependents of employees of participating districts. The Association has contracted with United Healthcare to be a health care provider for medical benefits as well as to provide aggregate and stop loss insurance coverage, and Coresource to provide administration for its dental benefits. The Association is governed by a board of directors consisting of one representative from each of the participating districts. Financial information for the association can be obtained from the administrators at Snider, Fuller, and Stroh, 5 Depot Street, Athens, Ohio 45701.

NOTE 21 - SET-ASIDE CALCULATIONS

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

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2020	\$0
Current Year Set-aside Requirement	185,635
Offsetting Credits	(625,239)
Qualifying Disbursements	<u>(1,086,867)</u>
Total	<u><u>(\$1,526,471)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future fiscal years.

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants.

The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

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

B. Litigation

As of June 30, 2021, the School District is currently not a party to any material legal proceedings.

C. School Foundation

In fiscal year 2021, School District foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2021 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2021 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NOTE 23 - ASSET RETIREMENT OBLIGATIONS

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a School District classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$20,000 associated with the School Districts’ underground storage tank was estimated by the School Districts’ Buildings and Grounds Director. The remaining useful life of this UST is 17 years. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

Ohio Revised Code Section 6111.44 requires the School District to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the School District would be responsible to address any public safety issues associated with their waste water treatment facilities. The School Districts’ Buildings and Grounds Director estimates these public safety issues to include removing/filling any tankage, cleaning/removing certain equipment, and backfilling certain exposed areas. This asset retirement obligation (ARO) of \$25,000 associated with the School District waste water treatment facility was estimated by the School Districts’ Buildings and Grounds Director. The remaining useful life of these facility is 27 years.

NOTE 24 - 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 fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized 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 will be 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.

Federal Hocking Local School District, Ohio

*Notes to the Basic Financial Statements
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NOTE 25 – SUBSEQUENT EVENT

A. Foundation

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 \$42,790.68 in revenue and expenditures/expense related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

B. Dynamix

In August of 2021 the School District approved a contract for Dynamix in the amount of \$2,818,832 for HVAC updates.

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

	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.0643664%	0.0635437%	0.0635708%
School District's Proportionate Share of the Net Pension Liability	\$4,257,329	\$3,801,931	\$3,640,817
School District's Covered Payroll	\$2,233,914	\$2,186,696	\$2,143,822
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	190.58%	173.87%	169.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.55%	70.85%	69.50%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.0603745%	0.0585255%	0.0558864%	0.0534440%	0.0534440%
\$3,607,242	\$4,283,526	\$3,188,931	\$2,704,770	\$3,178,143
\$1,887,307	\$1,861,607	\$1,683,498	\$1,565,743	\$1,278,504
191.13%	230.10%	189.42%	172.75%	248.58%
69.50%	62.98%	69.16%	71.70%	65.52%

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

	2021	2020	2019
School District's Proportion of the Net Pension Liability	0.04857061%	0.04742397%	0.04622137%
School District's Proportionate Share of the Net Pension Liability	\$11,752,359	\$10,487,526	\$10,163,042
School District's Covered Payroll	\$5,887,586	\$5,630,493	\$5,334,371
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	199.61%	186.26%	190.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.50%	77.40%	75.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014
0.04451587%	0.04102738%	0.04111360%	0.04286837%	0.04286837%
\$10,574,841	\$13,733,101	\$11,362,597	\$10,427,071	\$12,420,659
\$4,767,393	\$4,332,707	\$4,314,864	\$4,377,077	\$3,725,954
221.82%	316.96%	263.34%	238.22%	333.36%
75.30%	66.80%	72.10%	74.70%	69.30%

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

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.06611650%	0.06445780%	0.06412130%	0.06109450%	0.05914230%
School District's Proportionate Share of the Net OPEB Liability	\$1,436,927	\$1,620,978	\$1,778,897	\$1,639,615	\$1,685,774
School District's Covered Payroll	\$2,233,914	\$2,186,696	\$2,143,822	\$1,887,307	\$1,861,607
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	64.32%	74.13%	82.98%	86.88%	90.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.17%	15.57%	12.46%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

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

	2021	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.04857061%	0.04742397%	0.04622137%	0.04451587%	0.04102738%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$853,628)	(\$785,453)	(\$742,732)	\$1,736,845	\$2,194,155
School District's Covered Payroll	\$5,887,586	\$5,630,493	\$5,334,371	\$4,767,393	\$4,332,707
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	-14.50%	-13.95%	-13.92%	36.43%	50.64%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	182.10%	174.70%	47.10%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

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

See accompanying notes to the required supplementary information

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability				
Contractually Required Contribution	\$368,768	\$312,748	\$295,204	\$289,416
Contributions in Relation to the Contractually Required Contribution	<u>(368,768)</u>	<u>(312,748)</u>	<u>(295,204)</u>	<u>(289,416)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$2,634,057	\$2,233,914	\$2,186,696	\$2,143,822
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	38,568	39,276	47,174	43,711
Contributions in Relation to the Contractually Required Contribution	<u>(38,568)</u>	<u>(39,276)</u>	<u>(47,174)</u>	<u>(43,711)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.46%</u>	<u>1.76%</u>	<u>2.16%</u>	<u>2.04%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.46%</u>	<u>15.76%</u>	<u>15.66%</u>	<u>15.54%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$264,223	\$260,625	\$221,885	\$217,012	\$176,945	\$225,014
<u>(264,223)</u>	<u>(260,625)</u>	<u>(221,885)</u>	<u>(217,012)</u>	<u>(176,945)</u>	<u>(225,014)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,887,307	\$1,861,607	\$1,683,498	\$1,565,743	\$1,278,504	\$1,672,969
<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>
32,504	29,210	42,792	28,594	27,149	38,177
<u>(32,504)</u>	<u>(29,210)</u>	<u>(42,792)</u>	<u>(28,594)</u>	<u>(27,149)</u>	<u>(38,177)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.72%</u>	<u>1.57%</u>	<u>2.54%</u>	<u>1.83%</u>	<u>2.12%</u>	<u>2.28%</u>
<u>15.72%</u>	<u>15.57%</u>	<u>15.72%</u>	<u>15.69%</u>	<u>15.96%</u>	<u>15.73%</u>

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$840,978	\$824,262	\$788,269	\$746,812
Contributions in Relation to the Contractually Required Contribution	<u>(840,978)</u>	<u>(824,262)</u>	<u>(788,269)</u>	<u>(746,812)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$6,006,986	\$5,887,586	\$5,630,493	\$5,334,371
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$667,435	\$606,579	\$604,081	\$569,020	\$484,374	\$649,962
(667,435)	(606,579)	(604,081)	(569,020)	(484,374)	(649,962)
\$0	\$0	\$0	\$0	\$0	\$0
\$4,767,393	\$4,332,707	\$4,314,864	\$4,377,077	\$3,725,954	\$4,999,708
14.00%	14.00%	14.00%	13.00%	13.00%	13.00%
\$0	\$0	\$0	\$43,771	\$37,260	\$49,997
0	0	0	(43,771)	(37,260)	(49,997)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Federal Hocking Local School District, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuity 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

Federal Hocking Local School District, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2021

for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS OPEB

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

Federal Hocking Local School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2021

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

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

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

**FEDERAL HOCKING LOCAL SCHOOL DISTRICT
ATHENS COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Direct from Federal Government</i>				
Farm to School Grant Program	10.575	n/a	\$0	\$50,385
<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	12,336
Cash Assistance:				
COVID-19: School Breakfast Program	10.553	2020/2021	0	13,223
School Breakfast Program	10.553	2020/2021	0	108,842
COVID-19: National School Lunch Program	10.555	2020/2021	0	20,513
National School Lunch Program	10.555	2020/2021	0	161,834
<i>Total Child Nutrition Cluster</i>			<u>0</u>	<u>316,748</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	2021	0	23,949
Total U.S. Department of Agriculture			0	391,082
U.S. DEPARTMENT OF TREASURY				
<i>Passed Through Ohio Department of Education</i>				
COVID-19: Coronavirus Relief Fund				
Rural and Small Town SD Grant	21.019	2021	0	108,612
Broadband Ohio Connectivity Grant	21.019	2021	0	69,840
Total COVID-19: Coronavirus Relief Fund			<u>0</u>	<u>178,452</u>
Total U.S. Department of Treasury			0	178,452
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010A	2021	0	354,362
	84.010	2020	0	46,604
Total Title I Grants to Local Educational Agencies			<u>0</u>	<u>400,966</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States				
	84.027A	2021	0	226,208
	84.027	2020	0	28,255
Total Special Education - Grants to States			<u>0</u>	<u>254,463</u>
Special Education - Preschool Grants				
	84.173A	2021	0	4,959
<i>Total Special Education Cluster</i>			<u>0</u>	<u>259,422</u>
Twenty-First Century Community Learning Centers	84.287A	2021	188,201	192,311
	84.287	2020	119,682	127,442
Total Twenty-First Century Community Learning Centers			<u>307,883</u>	<u>319,753</u>
Rural Education	84.358B	2021	0	19,264
	84.358	2020	0	3,208
Total Rural Education			<u>0</u>	<u>22,472</u>
Supporting Effective Instruction State Grant	84.367A	2021	0	26,321
	84.367	2020	0	460
Total Supporting Effective Instruction State Grant			<u>0</u>	<u>26,781</u>
Student Support and Academic Enrichment Grants	84.424A	2021	0	17,123
COVID-19: Education Stabilization Fund				
Elementary and Secondary School Emergency Relief Fund	84.425D	2021	0	346,990
	84.425D	2022	0	50,045
Total COVID-19: Education Stabilization Fund			<u>0</u>	<u>397,035</u>
Total U.S. Department of Education			307,883	1,443,552
Total Expenditures of Federal Awards			<u>307,883</u>	<u>2,013,086</u>

The accompanying notes are an integral part of this Schedule.

**FEDERAL-HOCKING LOCAL SCHOOL DISTRICT
ATHENS 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 Federal-Hocking Local School District, Athens County (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 - SUBRECIPIENTS

The School District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E - CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Federal-Hocking Local School District
Athens County
8461 State Route 144
Stewart, Ohio 45778

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 Federal-Hocking Local School District, Athens 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 and have issued our report thereon dated March 3, 2022 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83 *Certain Asset Retirement Obligations*. 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 3, 2022

OHIO AUDITOR OF STATE KEITH FABER



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

Federal-Hocking Local School District
Athens County
8461 State Route 144
Stewart, Ohio 45778

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Federal-Hocking Local School District, Athens County, Ohio (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 Federal-Hocking Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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 programs.

Auditor's Responsibility

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

Opinion on the Major Federal Programs

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

Efficient • Effective • Transparent

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



Keith Faber
Auditor of State
Columbus, Ohio

March 3, 2022

**FEDERAL-HOCKING LOCAL SCHOOL DISTRICT
ATHENS 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)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies- AL # 84.010 Twenty-First Century Community Learning Centers- AL #84.287
(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



FEDERAL-HOCKING LOCAL SCHOOL DISTRICT

ATHENS 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 3/17/2022

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

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