



OHIO AUDITOR OF STATE
KEITH FABER



**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY
JUNE 30, 2020**

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**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position 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 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedules 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 17, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Keith Faber
Auditor of State
Columbus, Ohio
March 17, 2021

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Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The discussion and analysis of Blanchester Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- Net position of governmental activities decreased \$1,436,805, which represents a 51% decrease from 2019.
- General revenues accounted for \$14,174,303 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,261,058 or 23% of total revenues of \$18,435,361.
- The District had \$19,872,166 in expenses related to governmental activities; \$4,261,058 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,174,303 were also used to provide for these programs.

Overview of the Financial Statements

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?". The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows* and *liabilities and deferred inflows* 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 District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

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

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the 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 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 District's general government 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.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District as a Whole

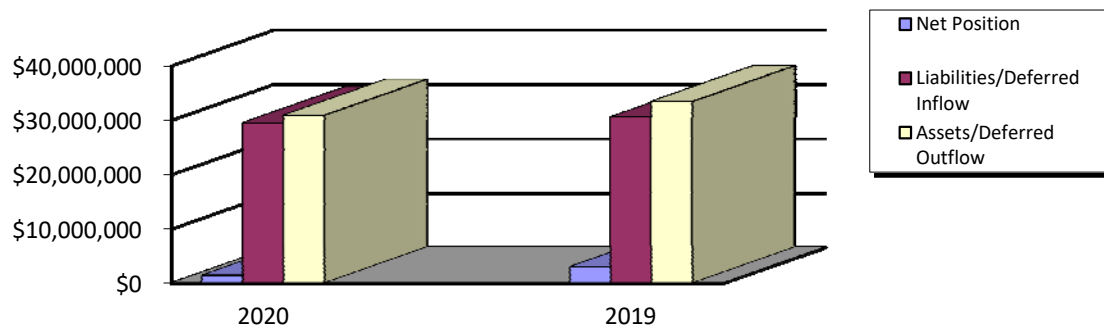
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2020 compared to 2019:

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**Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

**Table 1
Net Position**

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$9,002,839	\$9,296,504
Net OPEB Asset	909,053	916,183
Capital Assets	17,377,178	18,022,243
Total Assets	27,289,070	28,234,930
Deferred Outflows of Resources:		
OPEB	386,302	322,583
Pension	3,175,044	4,801,136
Total Deferred Outflows of Resources	3,561,346	5,123,719
Liabilities:		
Other Liabilities	1,556,396	1,484,290
Long-Term Liabilities	20,534,536	21,754,283
Total Liabilities	22,090,932	23,238,573
Deferred Inflows of Resources:		
Property Taxes	4,205,031	4,414,897
OPEB	1,805,941	1,683,465
Pension	1,340,982	1,177,379
Total Deferred Inflows of Resources	7,351,954	7,275,741
Net Position:		
Net Investment in Capital Assets	15,147,021	15,564,894
Restricted	823,471	675,531
Unrestricted	(14,562,962)	(13,396,090)
Total Net Position	\$1,407,530	\$2,844,335



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,407,530.

Blanchester Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

At year-end, capital assets represented 64% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2020, were \$15,147,021. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District’s net position, \$823,471 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-term liabilities decreased due primarily to the District continually making payments on their outstanding debt.

Table 2 shows the changes in net position for fiscal years 2020 and 2019.

Table 2
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues		
Charges for Services	\$1,802,334	\$1,793,287
Operating Grants, Contributions	2,458,724	2,359,418
General Revenues:		
Property Taxes	3,647,441	3,672,176
Grants and Entitlements	10,200,319	10,638,894
Other	326,543	274,332
Total Revenues	<u>18,435,361</u>	<u>18,738,107</u>
Program Expenses:		
Instruction	12,379,884	11,156,517
Support Services:		
Pupil and Instructional Staff	1,175,993	903,887
School Administrative, General		
Administration, Fiscal and Business	2,288,638	2,008,608
Operations and Maintenance	1,254,689	1,297,218
Pupil Transportation	1,331,796	1,115,632
Central	208,880	96,786
Operation of Non-Instructional Services	700,776	667,592
Extracurricular Activities	470,451	470,067
Interest and Fiscal Charges	61,059	80,350
Total Program Expenses	<u>19,872,166</u>	<u>17,796,657</u>
Change in Net Position	(1,436,805)	941,450
Net Position - Beginning of Year	<u>2,844,335</u>	<u>1,902,885</u>
Net Position - End of Year	<u>\$1,407,530</u>	<u>\$2,844,335</u>

**Blanchester Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)**

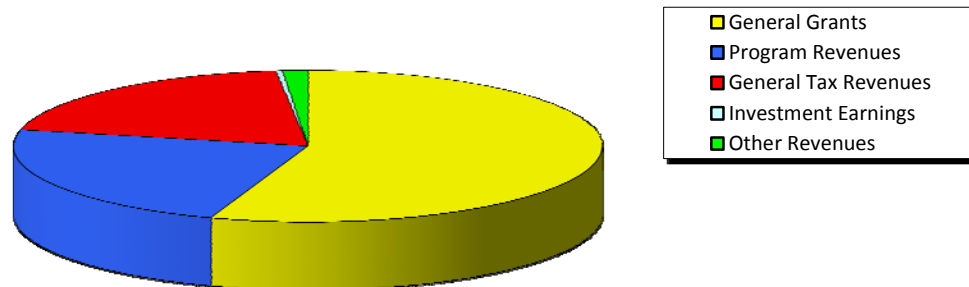
The District revenues are mainly from two sources. Property taxes levied for general, debt service, special revenue and capital projects purposes, and grants and entitlements (not restricted) comprised 75% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 20% of revenue for governmental activities for the District in fiscal year 2020.

**Governmental Activities
Revenue Sources**

Revenue Sources	2020	Percent of Total
General Grants	\$10,200,319	55.3%
Program Revenues	4,261,058	23.1%
General Tax Revenues	3,647,441	19.8%
Investment Earnings	67,614	0.4%
Other Revenues	258,929	1.4%
Investment Revenues	<u>\$18,435,361</u>	<u>100.0%</u>



Instruction comprises 62% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses and interest expense was 6%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

General Grants decreased in fiscal year 2020 as compared to fiscal year 2019, which was mainly due to a decrease in intergovernmental revenue received. Total expenses increased in fiscal year 2020, mainly due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$12,379,884	\$11,156,517	(\$9,104,129)	(\$7,943,528)
Support Services:				
Pupil and Instructional Staff	1,175,993	903,887	(961,956)	(903,887)
School Administrative, General				
Administration, Fiscal and Business	2,288,638	2,008,608	(2,288,030)	(2,008,021)
Operations and Maintenance	1,254,689	1,297,218	(1,200,830)	(1,235,940)
Pupil Transportation	1,331,796	1,115,632	(1,267,815)	(1,067,030)
Central	208,880	96,786	(201,680)	(89,586)
Operation of Non-Instructional Services	700,776	667,592	(192,184)	(19,399)
Extracurricular Activities	470,451	470,067	(333,425)	(296,211)
Interest and Fiscal Charges	61,059	80,350	(61,059)	(80,350)
Total Expenses	<u>\$19,872,166</u>	<u>\$17,796,657</u>	<u>(\$15,611,108)</u>	<u>(\$13,643,952)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of this fund comprised \$7,805,599 (83%) of the total \$9,356,732 governmental fund assets.

General Fund: Fund balance at June 30, 2020 was \$2,572,016, a decrease in fund balance of \$253,710. The fund balance decreased mainly due to expenditures exceeding revenues during the year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020 the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$17,340,812, compared to original budget estimates of \$17,193,232.

The District's ending unobligated cash balance for the General Fund was \$2,250,803.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$17,377,178 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2020 balances compared to fiscal year 2019:

Blanchester Local School District, Ohio
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$546,830	\$546,830
Buildings and Improvements	15,299,911	16,128,418
Equipment	1,530,437	1,346,995
Total Net Capital Assets	<u>\$17,377,178</u>	<u>\$18,022,243</u>

Overall, capital assets decreased due to depreciation expense exceeding current year additions.

See Note 6 to the Basic Financial Statements for further details on the District’s capital assets.

Debt

At June 30, 2020, the District had \$2,230,157 in bonds payable, \$495,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2020	2019
General Obligation Bonds:		
2006 Refunding Bonds:		
2013 Certificate of Participation	\$1,190,000	\$1,190,000
2013 Capital Appreciation Bonds	0	34,999
2013 Capital Appreciation Bonds - Compounding Interest	0	104,659
Premium on 2013 Certificate of Participation	41,263	47,158
2016 Refunding Bonds:		
Current Interest Bonds	965,000	1,140,000
Premium on 2016 Refunding Bonds	33,894	45,192
Total Outstanding Debt at Year End	<u>\$2,230,157</u>	<u>\$2,562,008</u>

See Note 7 to the Basic Financial Statements for further details on the District’s long-term obligations.

Economic Outlook

Public school districts in Ohio use a combination of state funds, local sources (such as property taxes) and federal funds. The amount of state funds that a district receives is based on a formula that takes into account the student enrollment and the property wealth of the district.

Amended House Bill 49 (HB49) addressed the state foundation funding for FY18 and FY19. There are numerous components and variables that make up the calculation for foundation funding. As a result, there are numerous reasons why an individual school district will experience changes in foundation funding across fiscal years or why one district receives more state funds than another.

Blanchester Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

The interaction of formula changes, changing characteristics of a district, and the effects of caps/guarantees can cause unexpected results. When "caps" or "guarantees" are used, the outcomes of any formula are suppressed. Because guarantees have been in place without interruption for many years, the guarantee is not necessarily to last year's amount, but perhaps to a formula calculation from a number of years prior. This means that guaranteed/capped funding amounts are often based upon district factors, such as student population and/or property values, which are dramatically different from what currently exists. Therefore, funding levels for a district relative to prior year might be due to the impact of lessening those constraints that short-circuit formulas.

Blanchester remains concerned about the instability of the state and local economy and the political ramifications of new funding models. Management is required to plan carefully and prudently the resources to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Blanchester Local School District, 951 Cherry Street, Blanchester, Ohio 45107.

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Blanchester Local School District, Ohio
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,759,428
Receivables (Net):	
Taxes	4,724,602
Accounts	338,796
Interest	5,836
Intergovernmental	136,034
Prepaid	22,654
Inventory	15,489
Net OPEB Asset	909,053
Nondepreciable Capital Assets	546,830
Depreciable Capital Assets, Net	<u>16,830,348</u>
 Total Assets	 <u>27,289,070</u>
Deferred Outflows of Resources:	
Pension	3,175,044
OPEB	<u>386,302</u>
 Total Deferred Outflows of Resources	 <u>3,561,346</u>
Liabilities:	
Accounts Payable	12,710
Accrued Wages and Benefits	1,538,626
Accrued Interest Payable	5,060
Long-Term Liabilities:	
Due Within One Year	585,695
Due In More Than One Year:	
Net Pension Liability	16,258,119
Net OPEB Liability	1,763,355
Other Amounts	<u>1,927,367</u>
 Total Liabilities	 <u>22,090,932</u>
Deferred Inflows of Resources:	
Property Taxes	4,205,031
Pension	1,340,982
OPEB	<u>1,805,941</u>
 Total Deferred Inflows of Resources	 <u>7,351,954</u>
Net Position:	
Net Investment in Capital Assets	15,147,021
Restricted for:	
Debt Service	449,783
Capital Projects	150,817
Classroom Facilities Maintenance	124,333
Extracurricular	69,705
Federal Grants	6,419
Other Purposes	22,414
Unrestricted	<u>(14,562,962)</u>
 Total Net Position	 <u><u>\$1,407,530</u></u>

See accompanying notes to the basic financial statements.

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$8,142,561	\$1,262,010	\$369,006	(\$6,511,545)
Special	2,942,212	84,576	1,299,836	(1,557,800)
Vocational	188,464	0	132,805	(55,659)
Other	1,106,647	0	127,522	(979,125)
Support Services:				
Pupil	821,931	0	214,037	(607,894)
Instructional Staff	354,062	0	0	(354,062)
General Administration	28,462	0	0	(28,462)
School Administration	1,726,598	0	0	(1,726,598)
Fiscal	527,311	0	608	(526,703)
Business	6,267	0	0	(6,267)
Operations and Maintenance	1,254,689	0	53,859	(1,200,830)
Pupil Transportation	1,331,796	0	63,981	(1,267,815)
Central	208,880	0	7,200	(201,680)
Operation of Non-Instructional Services	700,776	318,722	189,870	(192,184)
Extracurricular Activities	470,451	137,026	0	(333,425)
Interest and Fiscal Charges	61,059	0	0	(61,059)
Totals	\$19,872,166	\$1,802,334	\$2,458,724	(15,611,108)
General Revenues:				
Property Taxes Levied for:				
				3,170,138
				56,624
				292,552
				128,127
				10,200,319
				15,773
				67,614
				243,156
Total General Revenues				14,174,303
				(1,436,805)
				2,844,335
				\$1,407,530

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$3,005,654	\$753,774	\$3,759,428
Receivables (Net):			
Taxes	4,123,091	601,511	4,724,602
Accounts	299,226	39,570	338,796
Interest	5,836	0	5,836
Intergovernmental	0	136,034	136,034
Interfund	351,784	2,109	353,893
Prepaid	20,008	2,646	22,654
Inventory	0	15,489	15,489
Total Assets	<u>7,805,599</u>	<u>1,551,133</u>	<u>9,356,732</u>
Liabilities:			
Accounts Payable	10,401	2,309	12,710
Accrued Wages and Benefits	1,349,197	189,429	1,538,626
Compensated Absences	28,225	5,477	33,702
Interfund Payable	0	353,893	353,893
Total Liabilities	<u>1,387,823</u>	<u>551,108</u>	<u>1,938,931</u>
Deferred Inflows of Resources:			
Property Taxes	3,844,397	560,236	4,404,633
Grants and Other Taxes	0	136,034	136,034
Investment Earnings	1,363	0	1,363
Total Deferred Inflows of Resources	<u>3,845,760</u>	<u>696,270</u>	<u>4,542,030</u>
Fund Balances:			
Nonspendable	20,008	2,646	22,654
Restricted	0	795,674	795,674
Committed	11,000	0	11,000
Assigned	1,609,368	0	1,609,368
Unassigned	931,640	(494,565)	437,075
Total Fund Balances	<u>2,572,016</u>	<u>303,755</u>	<u>2,875,771</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$7,805,599</u>	<u>\$1,551,133</u>	<u>\$9,356,732</u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balance		\$2,875,771
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets used in the operation of Governmental Funds		17,377,178
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent Property Taxes	199,602	
Interest	1,363	
Intergovernmental	<u>136,034</u>	
		336,999
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		
		(5,060)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(249,203)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,175,044	
Deferred inflows of resources related to pensions	(1,340,982)	
Deferred outflows of resources related to OPEB	386,302	
Deferred inflows of resources related to OPEB	<u>(1,805,941)</u>	
		414,423
Long-term liabilities and net OPEB assets are not available to pay for current period expenditures and are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB Asset	909,053	
Net Pension Liability	(16,258,119)	
Net OPEB Liability	(1,763,355)	
Other Amounts	<u>(2,230,157)</u>	
		(19,342,578)
Net Position of Governmental Activities		<u>\$1,407,530</u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$3,178,802	\$480,459	\$3,659,261
Tuition and Fees	1,346,576	0	1,346,576
Investment Earnings	71,312	0	71,312
Intergovernmental	11,382,528	1,274,006	12,656,534
Extracurricular Activities	80	136,956	137,036
Charges for Services	0	318,722	318,722
Other Revenues	225,323	33,606	258,929
Total Revenues	16,204,621	2,243,749	18,448,370
Expenditures:			
Current:			
Instruction:			
Regular	6,630,635	456,222	7,086,857
Special	2,370,631	364,499	2,735,130
Vocational	176,820	0	176,820
Other	1,106,647	0	1,106,647
Support Services:			
Pupil	581,448	214,037	795,485
Instructional Staff	338,182	0	338,182
General Administration	26,799	0	26,799
School Administration	1,539,727	0	1,539,727
Fiscal	486,203	11,156	497,359
Business	6,267	0	6,267
Operations and Maintenance	1,032,485	108,925	1,141,410
Pupil Transportation	1,315,589	85,834	1,401,423
Central	200,029	8,851	208,880
Operation of Non-Instructional Services	20,105	655,406	675,511
Extracurricular Activities	284,684	153,614	438,298
Capital Outlay	945	42,957	43,902
Debt Service:			
Principal Retirement	34,999	175,000	209,999
Interest and Fiscal Charges	151,774	31,575	183,349
Total Expenditures	16,303,969	2,308,076	18,612,045
Excess of Revenues Over (Under) Expenditures	(99,348)	(64,327)	(163,675)
Other Financing Sources (Uses):			
Transfers In	0	154,362	154,362
Transfers (Out)	(154,362)	0	(154,362)
Total Other Financing Sources (Uses)	(154,362)	154,362	0
Net Change in Fund Balance	(253,710)	90,035	(163,675)
Fund Balance - Beginning of Year	2,825,726	213,720	3,039,446
Fund Balance - End of Year	<u>\$2,572,016</u>	<u>\$303,755</u>	<u>\$2,875,771</u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balance - Total Governmental Funds (\$163,675)

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

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

Capital assets used in governmental activities	374,009	
Depreciation Expense	<u>(1,019,074)</u>	(645,065)

Governmental funds report pension and OPEB contributions as expenditures.
 However in the Statement of Activities, the cost of pension and OPEB
 benefits earned net of employer contributions is reported as pension
 and OPEB expense.

Pension Contributions	1,161,203	
Pension Expense	(2,390,578)	
OPEB Contributions	36,689	
OPEB Expense	<u>230,207</u>	(962,479)

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

Delinquent Property Taxes	(11,820)	
Interest	(3,698)	
Intergovernmental	<u>2,509</u>	(13,009)

Repayment of bond principal, and accreted
 interest is an expenditure in the governmental funds, but the
 repayment reduces long-term liabilities in the statement of net position. 330,000

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 438

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

Compensated Absences	15,134	
Amortization of Bond Premium	17,193	
Bond Accretion	<u>(15,342)</u>	<u>16,985</u>

Change in Net Position of Governmental Activities (\$1,436,805)

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2020

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$154,364	\$37,859
Receivables (Net):		
Interest	262	0
Total Assets	<u>154,626</u>	<u>37,859</u>
Liabilities:		
Other Liabilities	0	37,859
Total Liabilities	<u>0</u>	<u>\$37,859</u>
Net Position:		
Held in Trust	<u>154,626</u>	
Total Net Position	<u>\$154,626</u>	

See accompanying notes to the basic financial statements.

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

	Private Purpose Trust
Additions:	
Investment Earnings	\$2,372
Other	3,220
	<hr/>
Total Additions	5,592
	<hr/>
Deductions:	
Scholarships	6,500
	<hr/>
Total Deductions	6,500
	<hr/>
Change in Net Position	(908)
	<hr/>
Net Position - Beginning of Year	155,534
	<hr/>
Net Position - End of Year	<u>\$154,626</u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Note 1 - Description of the District

The Blanchester Local School District ("District") was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 76 classified, 100 certified and eight administrative employees to provide service to 1,469 students and other community members.

Reporting Entity

The financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the 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 most significant of the District's accounting policies are described below.

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or program of the 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus 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 and liabilities and deferred inflows is reported as fund balance. The following is the District's major governmental fund:

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fiduciary Funds

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows, 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 year end: property taxes available for advance, grants and interest.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows related to pension and OPEB are reported on the governmental-wide statement of net position. For more pension and OPEB related information, see Note 8 and Note 9.

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 as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes, investment earnings, OPEB and pension. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance year 2021 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants and investment earnings have been recorded as deferred inflows on the

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

governmental fund financial statements. Deferred inflows related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 8 and 9.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Interest revenue credited to the general fund during fiscal year 2020 amounted to \$71,312.

Prepaid Items

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance assignment in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The 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. Interest incurred during the construction of capital assets is also capitalized.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20-40 years
Equipment	3-15 years

Pensions/Other Postemployment Benefits (OPEB)

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

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the amount recorded as compensated absences is the amount due at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> Per Contract	<u>Non-Certificated</u> 10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested Termination	Not Applicable	As Earned	As Earned
Entitlement	Not Applicable	Not Applicable	Not Applicable

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Sick Leave

How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	228 days	Per Contract	228 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

Net Position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$823,471 in restricted net position, none were restricted by enabling legislation.

Interfund Activity

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

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Estimates

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

Note 3 - Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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.

Those monies held by the 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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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. Except as noted above, 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2020, \$1,810,302 of the District's bank balance of \$2,061,302 was exposed to custodial credit risk because it was uninsured and collateralized.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

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

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

Investments

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

	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CDs	\$1,309,093	Level 2	1.00
Money Market Funds	<u>1,115,508</u>	N/A	0.00
Total Fair Value	<u>\$2,424,601</u>		
Portfolio Weighted Average Maturity			0.54

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Inputs to the valuation techniques used in fair the measurement for Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are significant unobservable inputs. The above table identifies the District’s recurring fair value measurements as of June 30, 2020.

Interest Rate Risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest quality rating issued by nationally recognized statistical rating organizations. The District’s investments in negotiable CDs and money market funds were not rated.

Concentration of Credit Risk – The District’s investment policy allows investments in government sponsored enterprise (GSE) securities. The District has 54% of its investments in Negotiable CDs and 46% in Money Market Funds.

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true 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. The District receives property taxes from Clinton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2020. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance \$278,694 in the General Fund and \$41,275 in Other Governmental Funds.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$154,444,850
Public Utility Personal	<u>12,748,870</u>
Total	<u><u>\$167,193,720</u></u>

Note 5 – Receivables

Receivables at June 30, 2020, consisted of taxes, interest, intergovernmental grants, interfund, and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

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Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Note 6 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$546,830	\$0	\$0	\$546,830
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	33,275,605	0	0	33,275,605
Equipment	<u>8,517,248</u>	<u>374,009</u>	<u>0</u>	<u>8,891,257</u>
Totals at Historical Cost	<u>42,339,683</u>	<u>374,009</u>	<u>0</u>	<u>42,713,692</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	17,147,187	828,507	0	17,975,694
Equipment	<u>7,170,253</u>	<u>190,567</u>	<u>0</u>	<u>7,360,820</u>
Total Accumulated Depreciation	<u>24,317,440</u>	<u>1,019,074</u>	<u>0</u>	<u>25,336,514</u>
 Governmental Activities Capital Assets, Net	<u>\$18,022,243</u>	<u>(\$645,065)</u>	<u>\$0</u>	<u>\$17,377,178</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$734,446
Special	71,717
Support Services:	
Pupil	370
School Administration	70,256
Fiscal	86
Operations and Maintenance	59,978
Pupil Transportation	72,231
Operation of Non-Instructional Services	3,814
Extracurricular Activities	6,176
Total Depreciation Expense	<u>\$1,019,074</u>

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Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Note 7 - Long-Term Liabilities

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:					
General Obligation Bonds:					
2013 Certificate of Participation	\$1,190,000	\$0	\$0	\$1,190,000	\$155,000
2013 Capital Appreciation Bonds	34,999	0	34,999	0	0
2013 Capital Appreciation Bonds - Compounding Interest	104,659	15,342	120,001	0	0
Premium on 2013 Certificate of Participation	47,158	0	5,895	41,263	0
2016 Refunding Bonds	1,140,000	0	175,000	965,000	340,000
Premium on 2016 Refunding Bonds	45,192	0	11,298	33,894	0
Subtotal Bonds	2,562,008	15,342	347,193	2,230,157	495,000
Compensated Absences	277,698	38,447	33,240	282,905	90,695
Subtotal Bonds and Other Amounts	2,839,706	53,789	380,433	2,513,062	585,695
Net Pension Liability					
STRS	12,536,456	0	398,621	12,137,835	0
SERS	4,281,982	0	161,698	4,120,284	0
Subtotal Net Pension Liability	16,818,438	0	560,319	16,258,119	0
Net OPEB Liability					
STRS	0	0	0	0 (a)	0
SERS	2,096,139	0	332,784	1,763,355	0
Subtotal Net OPEB Liability	2,096,139	0	332,784	1,763,355	0
Total Long-Term Obligations	<u>\$21,754,283</u>	<u>\$53,789</u>	<u>\$1,273,536</u>	<u>\$20,534,536</u>	<u>\$585,695</u>

(a) OPEB for STRS has a Net OPEB asset in the amount of \$909,053 as of June 30, 2020.

The refunding bonds will be paid from the debt service fund and certificates of participation will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Principal and interest requirements to retire debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds	
	Principal	Interest
2021	\$495,000	\$53,917
2022	525,000	39,737
2023	425,000	26,399
2024	170,000	18,099
2025	175,000	13,356
2026-2027	365,000	11,025
Total	<u>\$2,155,000</u>	<u>\$162,533</u>

Note 8 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/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 net pension/OPEB liability (asset) represent the employer's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the employer's obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the employer 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 remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

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Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy

Plan members are required to contribute 10 percent of their annual covered salary and the employer is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The contractually required contribution to SERS was \$301,799 for fiscal year 2020. Of this amount \$35,528 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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. Effective Aug. 1, 2017 through July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective Aug. 1, 2019–July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Funding Policy

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

The contractually required contribution to STRS was \$859,404 for fiscal year 2020. Of this amount \$138,984 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$4,120,284	\$12,137,835	\$16,258,119
Proportion of the Net Pension Liability:			
Current Measurement Date	0.06886450%	0.05488657%	
Prior Measurement Date	<u>0.07476590%</u>	<u>0.05701563%</u>	
Change in Proportionate Share	-0.00590140%	-0.00212906%	
Pension Expense	\$504,837	\$1,885,741	\$2,390,578

At June 30 2020, 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>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$104,481	\$98,822	\$203,303
Changes of assumptions	0	1,425,823	1,425,823
Changes in employer proportionate share of net pension liability	36,108	348,607	384,715
Contributions subsequent to the measurement date	<u>301,799</u>	<u>859,404</u>	<u>1,161,203</u>
Total Deferred Outflows of Resources	<u>\$442,388</u>	<u>\$2,732,656</u>	<u>\$3,175,044</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$0	\$52,542	\$52,542
Net difference between projected and actual earnings on pension plan investments	52,889	593,232	646,121
Changes in employer proportionate share of net pension liability	<u>221,250</u>	<u>421,069</u>	<u>642,319</u>
Total Deferred Inflows of Resources	<u>\$274,139</u>	<u>\$1,066,843</u>	<u>\$1,340,982</u>

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

\$1,161,203 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$5,571)	\$843,854	\$838,283
2022	(154,454)	169,694	15,240
2023	(3,519)	(197,922)	(201,441)
2024	29,994	(9,217)	20,777
Total	<u>(\$133,550)</u>	<u>\$806,409</u>	<u>\$672,859</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, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investments 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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

Discount Rate

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

Sensitivity of the 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%
Proportionate share of the net pension liability	\$5,773,991	\$4,120,284	\$2,733,444

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Actuarial Assumptions - STRS

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0%

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the 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%
Proportionate share of the net pension liability	\$17,738,094	\$12,137,835	\$7,396,929

Note 9 - Defined Benefit OPEB Plans

See Note 8 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

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

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the employer’s surcharge obligation was \$36,689.

The surcharge, added to any allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The contractually required contribution to SERS was \$36,689 for fiscal year 2020. Of this amount \$35,528 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

Funding Policy

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

Net OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,763,355	\$0	\$1,763,355
Proportionate Share of the Net OPEB (Asset)	0	(909,053)	(909,053)
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.07011940%	0.05488657%	
Prior Measurement Date	<u>0.07555640%</u>	<u>0.05701563%</u>	
Change in Proportionate Share	-0.00543700%	-0.00212906%	
OPEB Expense	\$38,228	(\$268,435)	(\$230,207)

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

	SERS	STRS	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$25,884	\$82,413	\$108,297
Changes of assumptions	128,793	19,108	147,901
Net difference between projected and actual earnings on OPEB plan investments	4,233	0	4,233
Changes in employer proportionate share of net OPEB liability	16,357	72,825	89,182
Contributions subsequent to the measurement date	36,689	0	36,689
Total Deferred Outflows of Resources	\$211,956	\$174,346	\$386,302
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$387,397	\$46,249	\$433,646
Changes of assumptions	98,813	996,671	1,095,484
Net difference between projected and actual earnings on OPEB plan investments	0	57,095	57,095
Changes in employer proportionate share of net OPEB liability	181,817	37,899	219,716
Total Deferred Inflows of Resources	\$668,027	\$1,137,914	\$1,805,941

\$36,689 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$120,063)	(\$207,118)	(\$327,181)
2022	(87,247)	(207,118)	(294,365)
2023	(86,004)	(184,236)	(270,240)
2024	(86,206)	(176,209)	(262,415)
2025	(78,577)	(189,456)	(268,033)
Thereafter	(34,663)	569	(34,094)
Total	(\$492,760)	(\$963,568)	(\$1,456,328)

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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

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

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

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

Mortality rates among active members 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.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

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

Discount Rate

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

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

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.22%)</u>	<u>Current Discount Rate (3.22%)</u>	<u>1% Increase (4.22%)</u>
Proportionate share of the net OPEB liability	\$2,140,379	\$1,763,355	\$1,463,578
	<u>1% Decrease (6.00% decreasing to 3.75%)</u>	<u>Current Trend Rate (7.00% decreasing to 4.75%)</u>	<u>1% Increase (8.00% decreasing to 5.75%)</u>
Proportionate share of the net OPEB liability	\$1,412,805	\$1,763,355	\$2,228,451

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Assumption and Benefit Changes since the Prior Measurement Date

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

(1) Discount Rate:		
Prior Measurement Date	3.70%	
Measurement Date	3.22%	
(2) Municipal Bond Index Rate:		
Prior Measurement Date	3.62%	
Measurement Date	3.13%	
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:		
Prior Measurement Date	3.70%	
Measurement Date	3.22%	

Actuarial Assumptions - STRS

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

Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Payroll Increases	3.00%
Discount Rate of Return	7.45%
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.87% initial, 4% ultimate
Medicare	4.93% initial, 4% ultimate
Prescription Drug	
Pre-Medicare	7.73% initial, 4% ultimate
Medicare	9.62% initial, 4% ultimate

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

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

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

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:

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019 and June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Proportionate share of the net OPEB (asset)	(\$775,696)	(\$909,053)	(\$1,021,176)
	1% Decrease	Current Trend Rate	1% Increase
Proportionate share of the net OPEB (asset)	(\$1,030,825)	(\$909,053)	(\$759,913)

Assumption and Benefit Changes since the Prior Measurement Date

There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

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.

There were changes in assumptions, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

Note 10 - Contingent Liabilities

Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2020 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2020 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

Grants

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2020.

Litigation

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

Note 11 - Jointly Governed Organizations

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District paid \$37,862.20 to MVECA in 2020. To obtain financial information write to: the Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

The Ohio region 14 state Support Team (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts plus county board of education, developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: the Treasurer, Southern Ohio Educational Service District, 3321 Airborne Road, Wilmington, Ohio 45177.

Note 12 - Related Organization

Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, the Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past four years.

The District provides health insurance to employees through a private carrier. They no longer provide benefits through a self insurance program.

Note 14 – Accountability

The following individual funds had a deficit in fund balance at year end:

	<u>Deficit</u>
Other Governmental Funds:	
Summer Intervention	\$5,124
Vocational Education Enhancement	10,899
Alternative Schools	27,777
Title V	9,564
Food Service	149,336
Special Education	97,959
Title I	113,987
Miscellaneous Federal Grants	31,633
Improving Teacher Quality	28,926
Title VI-Innovative Projects	16,714

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

The deficit fund balance in these special revenue funds was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 15 - Set-Asides

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2019	\$0
Current Year Set Aside Requirements	272,314
Qualified Disbursements	(79,124)
Current Year Offsets	<u>(193,190)</u>
Set Aside Reserve Balance as of June 30, 2020	<u>\$0</u>
Restricted Cash as of June 30, 2020	\$0

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits of \$17,349,980 available for carryover to offset capital acquisition requirements of future years.

Note 16 - Interfund Transactions

Interfund transactions at June 30, 2020, consisted of the following interfund receivable and payable, and transfers in and out:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$351,784	\$0	\$0	\$154,362
Other Governmental Funds	<u>2,109</u>	<u>353,893</u>	<u>154,362</u>	<u>0</u>
Total All Funds	<u>\$353,893</u>	<u>\$353,893</u>	<u>\$154,362</u>	<u>\$154,362</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 17 – Fund Balances

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

Blanchester Local School District, Ohio
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2020

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$20,008	\$2,646	\$22,654
Restricted for:			
Local Grants	0	17,681	17,681
Classroom Facilities Maintenance	0	121,887	121,887
Student Activity	0	69,705	69,705
Data Communication	0	1,144	1,144
Miscellaneous State Grants	0	3,589	3,589
Drug Free Schools	0	2,089	2,089
Debt Service	0	435,915	435,915
Permanent Improvement	0	143,664	143,664
Total Restricted	0	795,674	795,674
Committed to:			
Permanent Improvements	11,000	0	11,000
Assigned to:			
Public School Support	38,628	0	38,628
Budgetary Variance	1,142,093	0	1,142,093
Encumbrances	428,647	0	428,647
Total Assigned	1,609,368	0	1,609,368
Unassigned (Deficit)	931,640	(494,565)	437,075
Total Fund Balance	\$2,572,016	\$303,755	\$2,875,771

Note 18 – Implementation of New Accounting Principles

For fiscal year 2020, the District has postponed implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The District did not implement these statements due to the GASB postponing the implementation by 12 months because of the COVID-19 pandemic.

Note 19 – COVID-19

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide continue to take actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. The full impact of COVID-19 and the scope of any continued impact on finances and operations cannot be fully determined at this time. Adverse consequences of the COVID-19 pandemic may include but are not limited to decline in enrollment; additional decreases in financial support from the State; and reduction in funding support from donors or other external sources.

REQUIRED SUPPLEMENTARY INFORMATION

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Blanchester Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.06886450%	\$4,120,284	\$2,353,874	175.04%	70.85%
2019	0.07476590%	4,281,982	2,525,356	169.56%	71.36%
2018	0.07731710%	4,619,526	2,475,364	186.62%	69.50%
2017	0.07440200%	5,445,540	2,310,650	235.67%	62.98%
2016	0.07379590%	4,210,866	3,009,476	139.92%	69.16%
2015	0.07609400%	3,851,074	2,779,913	138.53%	71.70%
2014	0.07609400%	4,526,420	2,026,619	223.35%	65.52%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$301,799	(\$301,799)	\$0	\$2,155,707	14.00%
2019	317,773	(317,773)	0	2,353,874	13.50%
2018	340,923	(340,923)	0	2,525,356	13.50%
2017	346,551	(346,551)	0	2,475,364	14.00%
2016	323,491	(323,491)	0	2,310,650	14.00%
2015	396,649	(396,649)	0	3,009,476	13.18%
2014	385,296	(385,296)	0	2,779,913	13.86%
2013	370,488	(370,488)	0	2,026,619	13.84%
2012	342,504	(342,504)	0	2,111,360	13.45%
2011	365,520	(365,520)	0	2,247,435	12.57%

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

Year	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.05488657%	\$12,137,835	\$7,008,429	173.19%	77.40%
2019	0.05701563%	12,536,456	6,849,771	183.02%	77.30%
2018	0.05787880%	13,749,233	6,118,286	224.72%	75.30%
2017	0.05549579%	18,576,114	5,917,457	313.92%	66.80%
2016	0.05428084%	15,001,636	5,692,550	263.53%	72.10%
2015	0.05407496%	13,152,902	6,386,862	205.94%	74.70%
2014	0.05407496%	15,625,458	5,211,117	299.85%	69.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$859,404	(\$859,404)	\$0	\$6,138,600	14.00%
2019	981,180	(981,180)	0	7,008,429	14.00%
2018	958,968	(958,968)	0	6,849,771	14.00%
2017	856,560	(856,560)	0	6,118,286	14.00%
2016	828,444	(828,444)	0	5,917,457	14.00%
2015	796,957	(796,957)	0	5,692,550	14.00%
2014	830,292	(830,292)	0	6,386,862	13.00%
2013	700,596	(700,596)	0	5,211,117	13.00%
2012	710,376	(710,376)	0	5,291,239	13.00%
2011	844,056	(844,056)	0	5,501,323	13.00%

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.07011940%	\$1,763,355	\$2,353,874	74.91%	15.57%
2019	0.07555640%	\$2,096,139	\$2,525,356	83.00%	13.57%
2018	0.07776160%	2,086,917	2,475,364	84.31%	12.46%
2017	0.07492256%	2,135,570	2,310,650	92.42%	11.49%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1) (2)

Year	District's Contractually Required Contribution (2)	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$36,689	(\$36,689)	\$0	\$2,155,707	1.70%
2019	52,444	(52,444)	0	2,353,874	2.23%
2018	47,142	(47,142)	0	2,525,356	1.87%
2017	39,156	(39,156)	0	2,475,364	1.58%
2016	35,869	(35,869)	0	2,310,650	1.55%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

Year	District's Proportion of the Net OPEB (Asset)/Liability	District's Proportionate Share of the Net OPEB (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability
2020	0.05488657%	(\$909,053)	\$7,008,429	(12.97%)	174.74%
2019	0.05701563%	(\$916,183)	\$6,849,771	(13.38%)	176.00%
2018	0.05787880%	2,258,217	6,118,286	36.91%	47.10%
2017	0.05549579%	2,967,929	5,917,457	50.16%	37.30%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Blanchester Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

Year	District's Contractually Required Contribution	District's Contributions in Relation to the Contractually Required Contributions	District's Contribution Deficiency (Excess)	District's Covered Payroll	District's Contributions as a Percentage of Covered Payroll
2020	\$0	\$0	\$0	\$6,138,600	0.00%
2019	0	0	0	7,008,429	0.00%
2018	0	0	0	6,849,771	0.00%
2017	0	0	0	6,118,286	0.00%
2016	0	0	0	5,917,457	0.00%

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Blanchester Local School District, Ohio
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,321,722	\$3,350,235	\$3,100,702	(\$249,533)
Revenue in lieu of taxes	0	0	0	0
Tuition and Fees	1,421,631	1,433,834	1,327,039	(106,795)
Investment Earnings	47,906	48,317	44,718	(3,599)
Intergovernmental	12,193,884	12,298,551	11,382,528	(916,023)
Other Revenues	208,089	209,875	194,243	(15,632)
Total Revenues	17,193,232	17,340,812	16,049,230	(1,291,582)
Expenditures:				
Current:				
Instruction:				
Regular	8,050,761	7,168,007	6,898,941	269,066
Special	2,791,367	2,485,298	2,392,007	93,291
Vocational	254,546	226,635	218,128	8,507
Other	1,295,376	1,153,340	1,110,047	43,293
Support Services:				
Pupil	719,295	640,426	616,386	24,040
Instructional Staff	414,365	368,931	355,082	13,849
General Administration	31,504	28,050	26,997	1,053
School Administration	1,781,735	1,586,371	1,526,823	59,548
Fiscal	576,829	513,580	494,302	19,278
Business	8,374	7,456	7,176	280
Operations and Maintenance	1,279,473	1,139,180	1,096,419	42,761
Pupil Transportation	1,658,642	1,476,775	1,421,341	55,434
Central	233,425	207,830	200,029	7,801
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	332,008	295,604	284,508	11,096
Capital Outlay	1,103	982	945	37
Debt Service:				
Principal Retirement	40,842	36,364	34,999	1,365
Interest and Fiscal Charges	177,114	157,693	151,774	5,919
Total Expenditures	19,646,759	17,492,522	16,835,904	656,618
Excess of Revenues Over (Under) Expenditures	(2,453,527)	(151,710)	(786,674)	(634,964)
Other Financing Sources (Uses):				
Advances In	241,717	243,792	225,634	(18,158)
Advances (Out)	(351,081)	(312,586)	(300,852)	11,734
Transfers In	1,071,281	1,080,476	1,000,000	(80,476)
Transfers (Out)	(1,347,090)	(1,199,383)	(1,154,362)	45,021
Total Other Financing Sources (Uses)	(385,173)	(187,701)	(229,580)	(41,879)
Net Change in Fund Balance	(2,838,700)	(339,411)	(1,016,254)	(676,843)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	3,267,057	3,267,057	3,267,057	0
Fund Balance - End of Year	\$428,357	\$2,927,646	\$2,250,803	(\$676,843)

See accompanying notes to the required supplementary information.

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Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District 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 final amended certificate of estimated resources issued during the fiscal year 2020.

The appropriation resolution is subject to amendment by the Board 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 year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Any budgetary modifications at the fund and function level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2020.

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as an assignment of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are 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 for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the general fund.

	General
GAAP Basis	(\$253,710)
Revenue Accruals	(155,391)
Expenditure Accruals	(105,523)
Transfers In	1,000,000
Transfers (Out)	(1,000,000)
Advances In	225,634
Advances (Out)	(300,852)
Encumbrances	(426,411)
Funds Budgeted Elsewhere	(1)
Budget Basis	(\$1,016,254)

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

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

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

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

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

Changes in Assumptions:

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

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

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

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

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

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

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

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

Changes in Assumptions:

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

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

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

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

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

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

Changes in Assumptions:

2020: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

- (1) Discount Rate:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.62%
 - Measurement Date 3.13%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.70%
 - Measurement Date 3.22%

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

- (4) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (5) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (6) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

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

- (1) Discount Rate:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%
- (2) Municipal Bond Index Rate:
 - Fiscal Year 2018 3.56%
 - Fiscal Year 2017 2.92%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Fiscal Year 2018 3.63%
 - Fiscal Year 2017 2.98%

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

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

Blanchester Local School District, Ohio
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2020

- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

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

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

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

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

Changes in Assumptions:

2020: There were changes in assumptions during the measurement year, which increased the total OPEB liability by approximately \$0.04 billion. The assumption changes included changes in healthcare costs and trends.

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

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

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

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
National School Lunch Program	3L60	10.555	\$ 183,583	\$ 35,580	\$ 183,583	\$ 35,580
Covid-19 National School Lunch Program	3L60	10.555	13,588	-	13,588	-
National School Breakfast Program	3L70	10.553	54,683	-	54,683	-
Covid-19 National School Breakfast Program	3L70	10.553	4,080	-	4,080	-
<i>Total Nutrition Cluster:</i>			255,934	35,580	255,934	35,580
Total U.S. Department of Agriculture			255,934	35,580	255,934	35,580
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act Title 1 - FY 19	3M00	84.010	66,473	-	63,835	-
Title 1 - FY 20	3M00	84.010	267,194	-	351,374	-
			333,667	-	415,209	-
<i>Special Education Cluster:</i>						
Special Education Grants to States						
IDEA Part B - FY19	3M20	84.027	3,574	-	-	-
IDEA Part B - FY20	3M20	84.027	301,289	-	352,723	-
6B Restoration	6BSD-2019	84.027	23,288	-	29,000	-
			328,151	-	381,723	-
Educational Handicapped Preschool						
Preschool Subsidy - FY20	3C50	84.173	-	-	12,612	-
Preschool Subsidy - Pre K Restoration	3C50	84.173	-	-	4,102	-
			-	-	16,714	-
<i>Total Special Education Cluster</i>			328,151	-	398,437	-
<i>Additional Programs:</i>						
Student Support & Academic Enrichment, Title IV-A, FY19	3M20	84.424	26,876	-	-	-
Student Support & Academic Enrichment, Title IV-A, FY20	3M20	84.424	-	-	22,862	-
Improving Teacher Quality, Title IIA - FY20	3Y60	84.367	11,307	-	-	-
Improving Teacher Quality, Title IIA - FY19	3Y60	84.367	45,108	-	-	-
<i>Total Additional Programs</i>			83,291	-	22,862	-
Total U.S. Department of Education			745,109	-	836,508	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,001,043	\$ 35,580	\$ 1,092,442	\$ 35,580

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

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such receipts and expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN FEDERAL PROGRAMS

During fiscal year 2020, the District made allowable transfers of \$56,415 from the Title II-A Improving Teacher Quality (84.367) program to the Title I (84.010) program. The Schedule shows the District spent \$0 on the Title II-A Improving Teacher Quality program. The amounts reported for the Title II-A Improving Teacher Quality program on the Schedule exclude the amounts transferred to the Title I program. The amounts transferred to the Title I program are included as Title I expenditures when disbursed.



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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

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, the major fund, and the aggregate remaining fund information of the Blanchester Local School District, Clinton County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2021. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
March 17, 2021

OHIO AUDITOR OF STATE KEITH FABER



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Blue Ash, Ohio 45242-1817
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance. A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Keith Faber
Auditor of State
Columbus, Ohio
March 17, 2021

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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



BLANCHESTER LOCAL SCHOOL DISTRICT

CLINTON 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 3/30/2021

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

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