



OHIO AUDITOR OF STATE
KEITH FABER



**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2020**

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

New London Local School District
Huron County
2 Wildcat Drive
New London, Ohio 44851-9262

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 New London Local School District, Huron 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 and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3.A to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 16.D to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 31, 2021

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The management's discussion and analysis of the New London Local School District's (the District) 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- In total, net position of governmental activities increased \$243,997 which represents a 3.55% increase from the 2019 restated net position.
- General revenues accounted for \$9,345,823 in revenue or 69.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,053,803 or 30.25% of total revenues of \$13,399,626.
- The District had \$13,155,629 in expenses related to governmental activities; \$4,053,803 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,345,823 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had \$11,732,619 in revenues and \$10,964,296 in expenditures. During fiscal year 2020, the general fund's fund balance increased \$768,323 from a restated balance of \$4,580,444 to a balance of \$5,348,767.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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. In the case of the District, the general fund is by far the most significant fund and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

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. The District's major fund is the general fund.

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 financial 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 basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. The District also acts in a trustee capacity as an agent for students or other entities. These activities are reported in custodial funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability, net OPEB asset/liability and District contributions for pension and OPEB.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2020 and June 30, 2019. The net position at June 30, 2019 has been restated as described in Note 3B.

	Net Position	
	Governmental Activities <u>2020</u>	Restated Governmental Activities <u>2019</u>
<u>Assets</u>		
Current and other assets	\$ 10,724,104	\$ 9,916,752
Capital assets, net	<u>12,698,845</u>	<u>13,366,591</u>
Total assets	<u>23,422,949</u>	<u>23,283,343</u>
<u>Deferred Outflows of Resources</u>		
Pension	2,059,382	2,770,516
OPEB	<u>246,945</u>	<u>133,286</u>
Total deferred outflows of resources	<u>2,306,327</u>	<u>2,903,802</u>
<u>Liabilities</u>		
Current liabilities	1,092,660	1,344,522
Long-term liabilities:		
Due within one year	352,133	349,169
Due in more than one year:		
Net pension liability	10,804,736	10,776,182
Net OPEB liability	1,033,345	1,083,505
Other amounts	<u>1,356,081</u>	<u>1,750,923</u>
Total liabilities	<u>14,638,955</u>	<u>15,304,301</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	2,137,302	2,030,966
Payment in lieu of taxes levied for next year	4,958	-
Unamortized deferred gain on debt refunding	6,370	9,006
Pensions	727,470	853,293
OPEB	<u>1,094,103</u>	<u>1,113,458</u>
Total deferred inflows of resources	<u>3,970,203</u>	<u>4,006,723</u>
<u>Net Position</u>		
Net investment in capital assets	11,746,603	11,841,473
Restricted	1,274,634	1,022,728
Unrestricted (deficit)	<u>(5,901,119)</u>	<u>(5,988,080)</u>
Total net position	<u>\$ 7,120,118</u>	<u>\$ 6,876,121</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

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

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

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

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

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

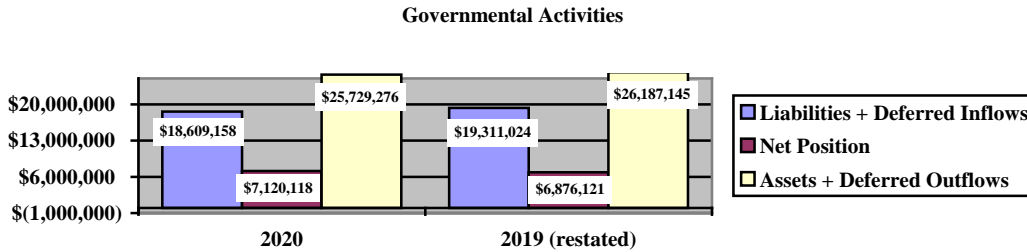
In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted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

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 \$7,120,118.

At year-end, capital assets represented 54.22% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Investments in capital assets, net of related debt to acquire the assets at June 30, 2020, were \$11,746,603. 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, \$1,274,634, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$5,901,119).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2020 and June 30, 2019. The amounts at June 30, 2019 have been restated as described in Note 3B.



The table below shows the change in net position for fiscal years 2020 and 2019. The net position at June 30, 2019 has been restated as described in Note 3B.

	Change in Net Position	
	Governmental Activities 2020	Restated Governmental Activities 2019
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,034,497	\$ 1,055,260
Operating grants and contributions	3,019,306	1,298,287
General revenues:		
Property taxes	2,509,462	2,436,546
School district income tax	1,208,224	1,248,298
Payment in lieu of taxes	4,958	-
Grants and entitlements	5,347,179	6,906,952
Investment earnings	88,820	110,624
Other	187,180	118,273
Total revenues	<u>13,399,626</u>	<u>13,174,240</u>

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

	Change in Net Position (Continued)	
	Governmental	Restated
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,991,574	\$ 4,875,019
Special	1,804,400	1,479,675
Vocational	354,794	333,862
Other	8,354	7,422
Support services:		
Pupil	562,805	381,395
Instructional staff	311,861	263,016
Board of education	13,417	11,367
Administration	887,485	870,923
Fiscal	336,955	276,205
Business	9,105	2,455
Operations and maintenance	1,155,678	960,357
Pupil transportation	668,305	752,258
Central	206,490	225,054
Operation of non-instructional services:		
Other non-instructional services	13,014	14,117
Food service operations	364,364	307,251
Extracurricular activities	455,604	473,717
Interest and fiscal charges	11,424	22,979
Total expenses	<u>13,155,629</u>	<u>11,257,072</u>
Change in net position	243,997	1,917,168
Net position (deficit) at beginning of year (restated)	<u>6,876,121</u>	<u>4,958,953</u>
Net position at end of year	<u>\$ 7,120,118</u>	<u>\$ 6,876,121</u>

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Governmental Activities

Net position of the District's governmental activities increased \$243,997. Total governmental expenses of \$13,155,629 were offset by program revenues of \$4,053,803, and general revenues of \$9,345,823. Program revenues supported 30.81% of the total governmental expenses.

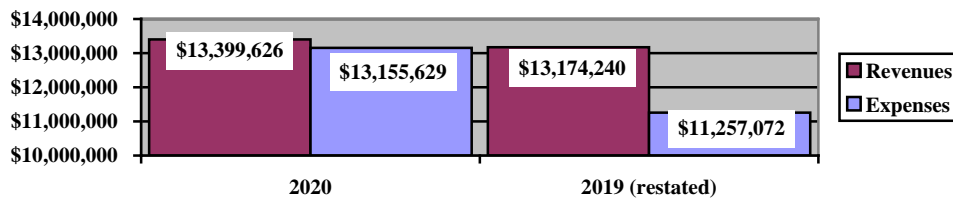
The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and unrestricted grants and entitlements. These revenue sources represent 67.65% of total governmental revenue. Property tax revenues increased by \$72,916 due to an increase in the amount of real estate property taxes received during the year and a slight increase in the amount of property taxes expected to be collected during the next fiscal year. Grants and entitlements decreased by \$1,559,773 due to a decrease in State funding. The State Foundation decrease was a result of budget reductions made by the State of Ohio in response to COVID-19.

Overall, expenses of the governmental activities increased \$1,898,557 or 16.87%. On an accrual basis, the District reported \$1,459,863 and \$829,480 in pension expense for fiscal years 2020 and 2019, respectively. In addition, the District reported (\$159,465) and (\$1,313,431) in OPEB expense for fiscal year 2020 and 2019, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2019 to fiscal year 2020 was \$1,784,349. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,159,122 or 62.02% of total governmental expenses for fiscal year 2020. Instruction and support service expenses increased due to increases in personnel costs, including pension and OPEB expense.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2020 or 2019. The amounts at June 30, 2019 have been restated as described in Note 3B.

Governmental Activities - Revenues and Expenses



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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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, unrestricted State grants and other general revenues of the District. The amounts at June 30, 2019 have been restated as described in Note 3B.

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Restated Total Cost of Services	Restated Net Cost of Services
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Program expenses				
Instruction:				
Regular	\$ 5,991,574	\$ 5,238,093	\$ 4,875,019	\$ 4,110,439
Special	1,804,400	(393,767)	1,479,675	629,971
Vocational	354,794	312,315	333,862	244,145
Other	8,354	8,354	7,422	7,422
Support services:				
Pupil	562,805	282,776	381,395	379,702
Instructional staff	311,861	311,861	263,016	259,368
Board of education	13,417	13,417	11,367	11,367
Administration	887,485	878,055	870,923	861,963
Fiscal	336,955	295,008	276,205	270,771
Business	9,105	6,619	2,455	2,455
Operations and maintenance	1,155,678	1,132,602	960,357	959,324
Pupil transportation	668,305	487,155	752,258	715,053
Central	206,490	179,653	225,054	163,889
Operations of non-instructional services:				
Other non-instructional services	13,014	4,866	14,117	1,618
Food service operations	364,364	39,071	307,251	(9,903)
Extracurricular activities	455,604	294,324	473,717	272,962
Interest and fiscal charges	11,424	11,424	22,979	22,979
Total expenses	<u>\$ 13,155,629</u>	<u>\$ 9,101,826</u>	<u>\$ 11,257,072</u>	<u>\$ 8,903,525</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 63.30% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.19%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

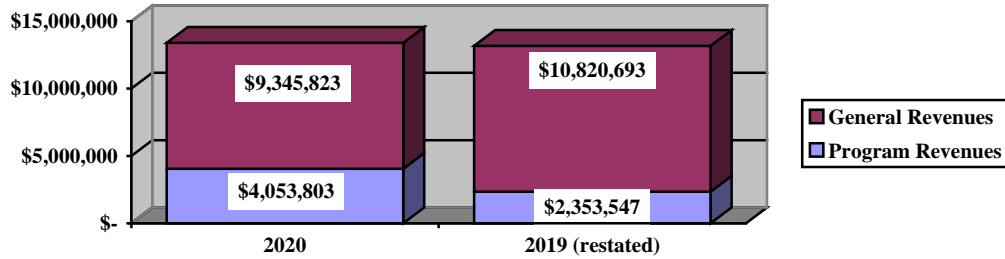
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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019. The amounts at June 30, 2019 have been restated as described in Note 3B.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$6,509,991 which is more than last year's total restated balance of \$5,496,588. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019. The fund balances at June 30, 2019 have been restated as described in Note 3B.

	Fund Balance June 30, 2020	Restated Fund Balance June 30, 2019	Increase	Percentage Change
General	\$ 5,348,767	\$ 4,580,444	\$ 768,323	16.77 %
Other governmental	<u>1,161,224</u>	<u>916,144</u>	<u>245,080</u>	26.75 %
Total	<u>\$ 6,509,991</u>	<u>\$ 5,496,588</u>	<u>\$ 1,013,403</u>	18.44 %

General Fund

The District's general fund balance increased \$768,323. In fiscal year 2020, the District saw a decrease in intergovernmental revenues due to fluctuations in state funding and state foundation adjustments. The State Foundation decrease was a result of budget reductions made by the State of Ohio in response to COVID-19. Tax revenues increased due to an increase in the amount of real estate property taxes and income taxes received. Earnings on investments decreased due to a decrease in the amount the District invested and the amount that they earned on those investments. The changes in instruction and support service expenditures are due to fluctuations in personnel costs. The decrease in capital outlay is due to a new capital lease agreement the District signed in the prior fiscal year.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2020 <u>Amount</u>	Restated 2019 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,486,379	\$ 3,465,330	\$ 21,049	0.61 %
Earnings on investments	88,820	110,624	(21,804)	(19.71) %
Intergovernmental	7,129,241	7,202,396	(73,155)	(1.02) %
Other revenues	<u>1,028,179</u>	<u>889,430</u>	<u>138,749</u>	15.60 %
Total	<u>\$ 11,732,619</u>	<u>\$ 11,667,780</u>	<u>\$ 64,839</u>	0.56 %
<u>Expenditures</u>				
Instruction	\$ 6,773,204	\$ 6,843,425	\$ (70,221)	(1.03) %
Support services	3,817,309	3,748,050	69,259	1.85 %
Non-instructional services	12,804	13,556	(752)	(5.55) %
Extracurricular activities	275,178	273,624	1,554	0.57 %
Capital outlay	-	231,041	(231,041)	(100.00) %
Debt service	<u>85,801</u>	<u>89,559</u>	<u>(3,758)</u>	(4.20) %
Total	<u>\$ 10,964,296</u>	<u>\$ 11,199,255</u>	<u>\$ (234,959)</u>	(2.10) %

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 2020, the District's original budgeted revenues and other financing sources were \$11,145,704. The final budgeted revenues and other financing sources were \$11,767,208. The increase in final budget was due to the increase in intergovernmental revenues, primary state revenues. Actual revenues and other financing sources for fiscal 2020 was \$11,776,724. This represents a \$9,516 increase over final budgeted revenues.

General fund original appropriations totaled \$11,539,332 and final budget appropriations totaled \$11,062,389. The actual budget basis expenditures for fiscal year 2020 totaled \$10,979,660, which was \$82,729 less than the final budgeted appropriations. Advances (out) are not budgeted and therefore are not considered a budget basis expenditure.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2020, the District had \$12,698,845 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2020 balances compared to 2019:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 315,751	\$ 315,751
Land improvements	582,626	627,447
Buildings and improvements	10,978,498	11,536,917
Furniture and equipment	353,105	335,651
Vehicles	468,865	550,825
Total	\$ 12,698,845	\$ 13,366,591

The overall decrease in capital assets of \$667,746 is due depreciation expense of \$777,612 exceeding capital outlay of \$109,866 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2020, the District had \$675,000 in general obligation bonds and \$249,566 in capital leases outstanding. Of this total, \$313,564 is due within one year and \$611,002 is due within greater than one year. The following table summarizes the outstanding obligations for fiscal year 2020 compared to 2019.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2020	2019
General obligation bonds	\$ 675,000	\$ 905,000
Capital leases	249,566	348,833
Total	\$ 924,566	\$ 1,253,833

At June 30, 2020, the District's voted debt margin was \$10,588,161, and an unvoted debt margin of \$120,622.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

Current Financial Related Activities

The District continues to meet its current financial obligations. It is projected that the Board will have a positive five-year forecast through Fiscal Year 2023. Having a positive cash balance can be attributed to the increase of almost \$1 million in state funding per year as proposed in the recent budget bill. However, a negative \$838,340 dollar cash deficit is projected in Fiscal Year 2024.

The newly constructed educational building is now over 19 years old and the District will need to monitor major repairs as new equipment/fixtures begin to reach their maximum life. The facility capital maintenance levy (0.5 mill) continues to support service contracts and equipment repairs for equipment that was part of the original construction. This levy will be collected through calendar year 2022.

The District renewed an Emergency Levy in November 2016 for 10 years. The levy generates approximately \$152,000 per calendar year.

The District has a continuing Income Tax of 1 percent of gross earnings and has been an integral part of the revenue of the District. The revenue from this income tax has begun to rebound from a drastic decline in 2008. It was anticipated that the low unemployment would help to offset any future deficit.

The District has negotiated agreements with two bargaining units; the New London Teachers Association and the Ohio Association of Public School Employees Local Chapter #521.

School districts have experienced major changes in legislation, school funding initiatives and local economic conditions due to the COVID-19 pandemic. The roles and influence of legislative officials is also somewhat unpredictable and will also impact future school funding decisions. The District is committed to careful monitoring and planning to provide the resources required to provide the highest standards for educating the students it serves.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives; additional information can be obtained from the Five Year Forecast and the accompanying assumptions posted on the website of the Ohio Department of Education at www.ode.state.oh.us. If you have questions about this report or need additional financial information contact Jim Hudson, Treasurer, New London Local School District, 2 Wildcat Drive, New London, Ohio 44851-9262.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 6,697,843
Receivables:	
Property taxes	2,731,208
Income taxes.	450,480
Payment in lieu of taxes	4,958
Accounts.	14,194
Intergovernmental	75,892
Prepayments	109,473
Materials and supplies inventory.	1,731
Inventory held for resale.	9,469
Net OPEB asset	628,856
Capital assets:	
Nondepreciable capital assets	315,751
Depreciable capital assets, net.	12,383,094
Capital assets, net	12,698,845
Total assets.	23,422,949
 Deferred outflows of resources:	
Pension	2,059,382
OPEB.	246,945
Total deferred outflows of resources	2,306,327
 Liabilities:	
Accounts payable.	29,262
Accrued wages and benefits payable	847,201
Intergovernmental payable	52,719
Pension and post employment benefits payable. . .	162,432
Accrued interest payable	1,046
Long-term liabilities:	
Due within one year.	352,133
Due in more than one year:	
Net pension liability	10,804,736
Net OPEB liability	1,033,345
Other amounts due in more than one year . .	1,356,081
Total liabilities	14,638,955
	<i>- continued</i>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020
(CONTINUED)

Deferred inflows of resources:

Property taxes levied for the next fiscal year. . . .	2,137,302
Payment in lieu of taxes levied for the next fiscal year	4,958
Unamortized deferred gain on debt refunding . .	6,370
Pension	727,470
OPEB.	1,094,103
Total deferred inflows of resources	3,970,203

Net position:

Net investment in capital assets	11,746,603
Restricted for:	
Debt service.	423,391
Locally funded programs	24,011
State funded programs.	235,095
Federally funded programs	31,691
Student activities	156,829
Classroom facilities maintenance	139,748
Other purposes	263,869
Unrestricted (deficit)	(5,901,119)
Total net position.	\$ 7,120,118

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,991,574	\$ 707,155	\$ 46,326	\$ (5,238,093)
Special	1,804,400	52,657	2,145,510	393,767
Vocational	354,794	32,162	10,317	(312,315)
Other	8,354	-	-	(8,354)
Support services:				
Pupil	562,805	-	280,029	(282,776)
Instructional staff	311,861	-	-	(311,861)
Board of education	13,417	-	-	(13,417)
Administration	887,485	711	8,719	(878,055)
Fiscal	336,955	-	41,947	(295,008)
Business	9,105	-	2,486	(6,619)
Operations and maintenance	1,155,678	-	23,076	(1,132,602)
Pupil transportation	668,305	30,858	150,292	(487,155)
Central	206,490	-	26,837	(179,653)
Operation of non-instructional services:				
Other non-instructional services	13,014	7,965	183	(4,866)
Food service operations	364,364	83,242	242,051	(39,071)
Extracurricular activities	455,604	119,747	41,533	(294,324)
Interest and fiscal charges	11,424	-	-	(11,424)
Totals	\$13,155,629	\$ 1,034,497	\$ 3,019,306	(9,101,826)
General revenues:				
Property taxes levied for:				
General purposes				2,264,636
Debt service				206,325
Other purposes				38,501
Payments in lieu of taxes				
Income taxes levied for:				
General purposes				1,208,224
Payment in lieu of taxes				4,958
Grants and entitlements not restricted				
to specific programs				5,347,179
Investment earnings				88,820
Miscellaneous				187,180
Total general revenues				9,345,823
Total general revenues, transfers and extraordinary items				9,345,823
Change in net position				243,997
Net position at beginning of year (restated)				6,876,121
Net position at end of year				\$ 7,120,118

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 5,472,200	\$ 1,225,643	\$ 6,697,843
Receivables:			
Property taxes.	2,464,096	267,112	2,731,208
Income taxes	450,480	-	450,480
Payment in lieu of taxes	4,958	-	4,958
Accounts	13,431	763	14,194
Interfund loans	104,862	-	104,862
Intergovernmental.	19,096	56,796	75,892
Prepayments.	109,473	-	109,473
Materials and supplies inventory.	-	1,731	1,731
Inventory held for resale.	-	9,469	9,469
Advance to other funds.	9,059	-	9,059
Total assets	<u>\$ 8,647,655</u>	<u>\$ 1,561,514</u>	<u>\$ 10,209,169</u>
Liabilities:			
Accounts payable	\$ 28,437	\$ 825	\$ 29,262
Accrued wages and benefits payable	826,706	20,495	847,201
Compensated absences payable	4,469	-	4,469
Intergovernmental payable	52,493	226	52,719
Pension and post employment benefits payable	158,547	3,885	162,432
Interfund loans payable.	-	104,862	104,862
Advance from other funds	-	9,059	9,059
Total liabilities.	<u>1,070,652</u>	<u>139,352</u>	<u>1,210,004</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	1,928,793	208,509	2,137,302
Payment in lieu of taxes levied for the next fiscal year	4,958	-	4,958
Delinquent property tax revenue not available.	185,028	20,560	205,588
Income tax revenue not available	90,361	-	90,361
Intergovernmental revenue not available.	19,096	31,869	50,965
Total deferred inflows of resources	<u>2,228,236</u>	<u>260,938</u>	<u>2,489,174</u>
Total liabilities and deferred inflows of resources	<u>3,298,888</u>	<u>400,290</u>	<u>3,699,178</u>

- continued

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020
(CONTINUED)

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	1,731	1,731
Prepays.	109,473	-	109,473
Long-term loans.	9,059	-	9,059
Unclaimed monies	429	-	429
Restricted:			
Debt service	-	407,167	407,167
Classroom facilities maintenance	-	136,458	136,458
Scholarships	-	237,486	237,486
Special education	-	3,986	3,986
Targeted academic assistance	-	897	897
Other purposes.	-	64,060	64,060
Extracurricular.	-	156,829	156,829
Student success and wellness	-	217,289	217,289
Committed:			
Capital improvements	-	37,559	37,559
Assigned:			
Student instruction	13,518	-	13,518
Student and staff support.	10,822	-	10,822
Public school support	71,374	-	71,374
Uniform school supplies	84,695	-	84,695
Other purposes.	87,403	-	87,403
Unassigned (deficit).	4,961,994	(102,238)	4,859,756
Total fund balances	5,348,767	1,161,224	6,509,991
Total liabilities, deferred inflows and fund balances	\$ 8,647,655	\$ 1,561,514	\$ 10,209,169

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020**

Total governmental fund balances		\$6,509,991
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,698,845
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds.		
Property taxes receivable	\$ 205,588	
Income taxes receivable	90,361	
Intergovernmental receivable	<u>50,965</u>	
Total		346,914
Unamortized premiums on bonds issued are not recognized in the funds.		(21,306)
Unamortized amounts on refundings are not recognized in the funds.		(6,370)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	2,059,382	
Deferred inflows of resources - pension	(727,470)	
Net pension liability	<u>(10,804,736)</u>	
Total		(9,472,824)
The net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - OPEB	246,945	
Deferred inflows of resources - OPEB	(1,094,103)	
Net OPEB asset	628,856	
Net OPEB liability	<u>(1,033,345)</u>	
Total		(1,251,647)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(1,046)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(675,000)	
Lease-purchase obligations	(249,566)	
Compensated absences	<u>(757,873)</u>	
Total		<u>(1,682,439)</u>
Net position of governmental activities		<u><u>\$7,120,118</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 2,285,277	\$ 246,830	\$ 2,532,107
Income taxes	1,201,102	-	1,201,102
Payment in lieu of taxes	4,958	-	4,958
Tuition	653,344	-	653,344
Transportation fees	30,858	-	30,858
Earnings on investments	88,820	9,984	98,804
Charges for services	-	83,242	83,242
Extracurricular	66,504	115,214	181,718
Classroom materials and fees	54,412	-	54,412
Contributions and donations	-	37,470	37,470
Other local revenues	218,103	4,667	222,770
Intergovernmental - intermediate	-	21,620	21,620
Intergovernmental - state	7,129,241	474,829	7,604,070
Intergovernmental - federal	-	745,532	745,532
Total revenues	<u>11,732,619</u>	<u>1,739,388</u>	<u>13,472,007</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,198,809	43,906	5,242,715
Special	1,239,795	509,838	1,749,633
Vocational	326,402	2,939	329,341
Other	8,198	-	8,198
Support services:			
Pupil	467,884	81,692	549,576
Instructional staff	265,139	-	265,139
Board of education	12,923	-	12,923
Administration	842,731	8,634	851,365
Fiscal	319,966	9,146	329,112
Business	8,655	450	9,105
Operations and maintenance	1,160,036	19,232	1,179,268
Pupil transportation	570,603	-	570,603
Central	169,372	36,553	205,925
Operation of non-instructional services:			
Other non-instructional services	12,804	210	13,014
Food service operations	-	358,726	358,726
Extracurricular activities	275,178	156,560	431,738
Facilities acquisition and construction	-	11,224	11,224
Debt service:			
Principal retirement	78,225	251,042	329,267
Interest and fiscal charges	7,576	15,656	23,232
Total expenditures	<u>10,964,296</u>	<u>1,505,808</u>	<u>12,470,104</u>
Excess of revenues over expenditures	<u>768,323</u>	<u>233,580</u>	<u>1,001,903</u>
Other financing sources:			
Sale of assets	-	11,500	11,500
Net change in fund balances	768,323	245,080	1,013,403
Fund balances at beginning of year (restated)	<u>4,580,444</u>	<u>916,144</u>	<u>5,496,588</u>
Fund balances at end of year	<u>\$ 5,348,767</u>	<u>\$ 1,161,224</u>	<u>\$ 6,509,991</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds		\$ 1,013,403
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 109,866	
Current year depreciation	<u>(777,612)</u>	
Total		(667,746)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(22,645)	
Income taxes	7,122	
Intergovernmental	<u>(56,858)</u>	
Total		(72,381)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		329,267
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	356	
Accreted interest on capital appreciation bonds	-	
Amortization of bond issuance costs	-	
Amortization of bond premiums	8,816	
Amortization of deferred gains	<u>2,636</u>	
Total		11,808
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		845,998
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,459,863)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		25,782
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB asset/liability are reported as OPEB expense in the statement of activities.		
		159,465
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in compensated absences payable	<u>58,264</u>	
Change in net position of governmental activities		<u>\$ 243,997</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
From local sources:				
Property taxes	\$2,217,882	\$2,342,364	\$2,342,364	\$ -
Income taxes.	1,237,062	1,306,494	1,306,494	-
Payment in lieu of taxes.	4,958	4,958	4,958	-
Tuition.	618,623	653,344	653,344	-
Earnings on investments	81,002	85,548	88,272	2,724
Other local revenues	164,518	174,032	180,824	6,792
Intergovernmental - state	6,749,165	7,127,974	7,127,974	-
Total revenues	<u>11,073,210</u>	<u>11,694,714</u>	<u>11,704,230</u>	<u>9,516</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,438,941	5,216,514	5,112,216	104,298
Special.	1,269,740	1,216,765	1,226,965	(10,200)
Vocational.	343,875	329,528	329,528	-
Other.	8,605	8,246	8,246	-
Support services:				
Pupil.	484,952	464,719	465,519	(800)
Instructional staff	368,777	353,391	362,279	(8,888)
Board of education	13,223	12,671	12,671	-
Administration.	916,939	878,683	878,743	(60)
Fiscal	334,599	320,639	320,922	(283)
Business	9,032	8,655	8,655	-
Operations and maintenance.	1,199,029	1,149,004	1,149,004	-
Pupil transportation	675,976	647,774	646,712	1,062
Central.	176,730	169,357	171,757	(2,400)
Operation of non-instructional services:				
Other non-instructional services	7,659	7,339	7,339	-
Extracurricular activities.	291,255	279,104	279,104	-
Total expenditures	<u>11,539,332</u>	<u>11,062,389</u>	<u>10,979,660</u>	<u>82,729</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(466,122)</u>	<u>632,325</u>	<u>724,570</u>	<u>92,245</u>
Other financing sources (uses):				
Refund of prior year's expenditures	2,043	2,043	2,043	-
Advances in.	70,451	70,451	70,451	-
Advances (out)			(107,617)	(107,617)
Total other financing sources (uses)	<u>72,494</u>	<u>72,494</u>	<u>(35,123)</u>	<u>(107,617)</u>
Net change in fund balance	(393,628)	704,819	689,447	(15,372)
Fund balance at beginning of year	4,483,892	4,483,892	4,483,892	-
Prior year encumbrances appropriated	39,332	39,332	39,332	-
Fund balance at end of year	<u>\$4,129,596</u>	<u>\$5,228,043</u>	<u>\$5,212,671</u>	<u>\$ (15,372)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 114,002</u>
Net position:	
Restricted for individuals, organizations and other governments . .	<u>\$ 114,002</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Additions:	
Other custodial fund collections	\$ 44,215
Deductions:	
Other custodial fund disbursements	60,679
Change in net position	(16,464)
Net position at beginning of year (restated)	130,466
Net position at end of year	\$ 114,002

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The New London Local School District (the District) is located in north-central Ohio in parts of Huron, Lorain, and Ashland counties. The District includes all of the Village of New London and portions of surrounding townships.

The District is organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District operates a pre-kindergarten school, elementary school, middle school and high school on a single campus. In addition, there are separate off-campus facilities including a weight room facility and a leased football stadium and track owned by the Village of New London. The lease is continuing for \$1.00 per year. The District employs 49 non-certified and 77 certified (including administrative) full-time and part-time employees to provide services to 986 students in grades Pre-K through 12 and various electronic/community schools.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Network for Educational Technology (NEOnet)

Northeast Ohio Network for Educational Technology (NEOnet) is a jointly governed organization comprised of school districts located throughout northeast and central Ohio. The jointly governed organization was formed for the purpose of providing and maintaining technology software and delivery to the administrative and instructional functions of member districts. Each of the member districts support NEOnet based upon a per pupil charge, dependent upon the software package utilized. NEOnet assembly consists of a superintendent or designated representative from each participating district and a representative from the Treasurer Committee. NEOnet is governed by a Board of Directors chosen from the general membership of the NEOnet assembly. During fiscal year 2020, the District paid \$32,719 to NEOnet. Financial information can be obtained by contacting the Fiscal Officer at NEOnet, 700 Graham Road, Cuyahoga Falls, Ohio 44221.

EHOVE Career Center

The EHOVE Career Center (EHOVE) is a vocational school district that is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs to its students. EHOVE accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered part of the District.

PUBLIC ENTITY RISK POOLS

Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established as an insurance purchasing pool. The Plan is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (the Association) is a jointly governed organization among several school districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 4918 Milan Road, Sandusky, Ohio 44870. Refer to Note 12.D. for further information on this Association.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

RELATED ORGANIZATION

New London Public Library

The New London Public Library (the Library) is a distinct political subdivision of the State of Ohio governed by a Board of Trustees. 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.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 custodial 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. The District currently has no private-purpose trust funds. Custodial funds are used to report fiduciary activities that are not required to be in a trust fund. The District's custodial funds account for Ohio High School Athletic Association (OHSAA) events and scholarship funds. The District has no administrative involvement in selecting the recipients of the scholarships.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of fiduciary funds are included on the statement of fiduciary net position. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Nonexchange 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, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 fiscal year-end: property taxes available as an advance, interest, grants, student fees, income taxes, rentals, and other miscellaneous receipts.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 13 and 14 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 13 and 14 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred outflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental 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 governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except custodial funds). The specific timetable for fiscal year 2020 is as follows:

1. 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 purpose of this budget document is to reflect the needs for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, 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 a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2020.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2020. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriations adopted by the Board of Education including all supplemental appropriations.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2020, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost. STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2020, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by policy, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$88,820, which includes \$9,337 assigned from other District funds.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the consumption method which means that the cost of inventory items are recorded as an expenditure in the governmental funds when consumed.

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The District maintains a capitalization threshold of \$5,000. 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 30 years
Vehicles	5 - 10 years

I. Interfund Balance

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as "advance from/advance to other funds". These amounts are eliminated in the governmental type activities columns of the statement of net position.

On the governmental fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds". These amounts are eliminated in the governmental activities columns on the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2020, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year end and the liability will be liquidated with expendable available resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees are paid.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

M. Net Position

Net Position represents the difference between assets and deferred outflows of resources compared to 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. The amount of net position restricted for other purposes represents scholarship endowments made to the District that are restricted to college scholarships for which the District has administrative involvement.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the statement of net position/balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense/expenditure is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District had no restricted assets at June 30, 2020.

Q. 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 basic financial statements.

R. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on government-wide statement of net position.

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

S. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2020, the District had no transactions that would be classified as extraordinary or special items.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 84, “*Fiduciary Activities*” and GASB Statement No. 90, “*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental or proprietary funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

B. Restatement of Net Position and Fund Balances

The implementation of GASB 84 had the following effect on fund balance as reported at June 30, 2019:

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance as previously reported	\$ 4,580,015	\$ 618,544	\$ 5,198,559
GASB Statement No. 84	429	297,600	298,029
Restated Fund Balance, at June 30, 2019	\$ 4,580,444	\$ 916,144	\$ 5,496,588

The implementation of the GASB 84 pronouncement had the following effect on the net position as reported at June 30, 2019:

	Governmental Activities
Net position as previously reported	\$ 6,578,092
GASB Statement No. 84	298,029
Restated net position at June 30, 2019	\$ 6,876,121

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$130,466. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$47,363. Also, related to the implementation of GASB Statement No. 84, the District will no longer be reporting private purpose trust funds. At June 30, 2019, private purpose funds reported a net position of \$381,389.

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 94,270
Vocational education enhancement	921
Improving teacher quality	5,128
Miscellaneous federal grants	188

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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;

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the fair 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 that 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 items (1) and (2) above 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time.

Protection of the 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$1,146,167 and the bank balance of all District deposits was \$1,157,251. Of the bank balance, \$500,995 was covered by federal depository insurance, \$239,033 was covered by the Ohio Pooled Collateral System (OPCS) and none of the remaining \$417,223 was exposed to custodial risk as discussed below.

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**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2020, the District had the following investment and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>Investment Maturities</u> 6 months or less
Amortized Cost: STAR Ohio	<u>\$ 5,665,678</u>	<u>\$ 5,665,678</u>

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>% of Total</u>
Amortized Cost: STAR Ohio	<u>\$ 5,665,678</u>	<u>100.00</u>

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**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Activities

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,146,167
Investments	<u>5,665,678</u>
Total	<u><u>\$ 6,811,845</u></u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,697,843
Custodial funds	<u>114,002</u>
Total	<u><u>\$ 6,811,845</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2020, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u><u>\$ 104,862</u></u>

The primary purpose of the short-term interfund loan is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

- B.** Advances to/advances from other funds consisted of the following at June 30, 2020, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u><u>\$ 9,059</u></u>

The primary purpose of the long-term interfund loan is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 6 - RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, income taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants. 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. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 2,731,208
Income taxes	450,480
Payment in lieu of taxes	4,958
Accounts	14,194
Intergovernmental	<u>75,892</u>
Total	<u><u>\$ 3,276,732</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron, Lorain and Ashland Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$350,275 in the general fund, \$32,090 in the bond retirement fund (a nonmajor governmental fund) and \$5,953 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available as an advance at June 30, 2019 was \$407,362 in the general fund, \$38,066 in the bond retirement fund (a nonmajor governmental fund) and \$6,876 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 114,418,240	96.22	\$ 115,304,980	95.59
Public utility personal	<u>4,497,500</u>	<u>3.78</u>	<u>5,317,170</u>	<u>4.41</u>
Total	<u>\$ 118,915,740</u>	<u>100.00</u>	<u>\$ 120,622,150</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.55		\$33.55	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District has authorized, through voter approval, an annual 1 percent school district income tax levied on the school district income of individuals and estates. The tax is to be used for normal operating expenses of the District and is credited to the general fund. Total income tax revenue credited to the general fund during fiscal year 2020, was \$1,201,102.

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**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/20</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 315,751	\$ -	\$ -	\$ 315,751
<i>Capital assets, being depreciated:</i>				
Land improvements	2,153,288	21,834	-	2,175,122
Buildings and improvements	21,735,227	-	-	21,735,227
Furniture and equipment	1,204,424	88,032	-	1,292,456
Vehicles	<u>1,226,196</u>	<u>-</u>	<u>-</u>	<u>1,226,196</u>
Total capital assets, being depreciated	<u>26,319,135</u>	<u>109,866</u>	<u>-</u>	<u>26,429,001</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,525,841)	(66,655)	-	(1,592,496)
Buildings and improvements	(10,198,310)	(558,419)	-	(10,756,729)
Furniture and equipment	(868,773)	(70,578)	-	(939,351)
Vehicles	<u>(675,371)</u>	<u>(81,960)</u>	<u>-</u>	<u>(757,331)</u>
Total accumulated depreciation	<u>(13,268,295)</u>	<u>(777,612)</u>	<u>-</u>	<u>(14,045,907)</u>
Governmental activities capital assets, net	<u>\$ 13,366,591</u>	<u>\$ (667,746)</u>	<u>\$ -</u>	<u>\$ 12,698,845</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 574,145
Vocational	16,475
<u>Support service:</u>	
Instructional staff	41,041
Administration	1,595
Operations and maintenance	37,753
Pupil transportation	78,066
Extracurricular activities	<u>28,537</u>
Total depreciation expense	<u>\$ 777,612</u>

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**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During previous fiscal years, the District entered into capitalized leases for buses and HVAC systems. These lease agreements meet the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of vehicles and building improvements have been capitalized in the amount of \$599,418, with a salvage value of \$40,646. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2020 totaled \$78,225 paid by the general fund and \$21,042 paid by the classroom facilities maintenance fund (a nonmajor governmental fund). Accumulated depreciation totaled \$185,587 resulting in a net book value of \$413,831 at June 30, 2020.

During the current fiscal year, the District entered into in a capitalized lease for a bus. However, during fiscal year 2021 is when the bus was delivered and when the District began making payments on the lease. Therefore, the debt and corresponding capital asset will be included as part of the fiscal year 2021 financial report.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	Amount
2021	\$ 85,801
2022	79,892
2023	50,344
2024	50,344
Total minimum lease payment	266,381
Less: amount representing interest	(16,815)
Present value of minimum lease payments	\$ 249,566

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**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

During the fiscal year 2020, the following changes occurred in governmental activities long-term obligations.

<u>Governmental Activities:</u>	Balance 06/30/19	Increases	Decreases	Balance 06/30/20	Amount Due Within One Year
<u>General Obligation Bonds</u>					
School Facilities Refunding, Series 2017 - direct placement					
Current Interest	\$ 905,000	\$ -	\$ (230,000)	\$ 675,000	\$ 235,000
Capital Lease Obligation	348,833	-	(99,267)	249,566	78,564
Net Pension Liability	10,776,182	208,458	(179,904)	10,804,736	-
Net OPEB Liability	1,083,505	-	(50,160)	1,033,345	-
Compensated Absences	816,137	34,100	(87,895)	762,342	38,569
Total Long-Term Obligations	<u>\$ 13,929,657</u>	<u>\$ 242,558</u>	<u>\$ (647,226)</u>	<u>13,524,989</u>	<u>\$ 352,133</u>
Add: Unamortized premiums				21,306	
Total on statement of net position				<u>\$ 13,546,295</u>	

B. General Obligation Bonds

School Facilities Refunding, Series 2017 - On September 6, 2017, the District issued General Obligation Refunding Bonds (Series 2017 refunding bonds). These bonds refunded \$915,000 of the Series 2007 issue current interest bonds. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. This is a direct placement sold to a single investor, Robert Archer. The bonds are subject to optional redemption prior to stated maturity on any date, in full at a redemption price of 100% of par. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position.

This issue is comprised of current interest serial bonds, par value \$915,000. The interest rate on the current interest bonds is 4.0%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

The net carrying amount of the old debt exceeded the reacquisition price by \$13,619. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments by \$82,852.

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**NEW LONDON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2017 refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2021	\$ 235,000	\$ 10,871	\$ 245,871
2022	245,000	6,191	251,191
2023	195,000	1,901	196,901
Total	\$ 675,000	\$ 18,963	\$ 693,963

C. Other Long-Term Obligations

Compensated absences will be paid from the fund from which the employee's salaries are paid. For the District, this is the general fund and food service fund (a nonmajor governmental fund). The capital lease obligations are described in Note 10.

The District's net pension liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

The District's net OPEB liability/asset is described in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service.

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$10,588,161 (including available funds of \$407,167) and an unvoted debt margin of \$120,622.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2016, the District purchased insurance coverage through the Ohio School Plan.

The District belongs to the Ohio School Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools (Members).

**NEW LONDON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - RISK MANAGEMENT - (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator’s legal liability, automobile and violence coverages, modified for each member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member’s specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan’s paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan’s audited financial statements on their website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2019, 2018 and 2017:

	2019	2018	2017
Assets	\$ 12,967,922	\$ 12,764,109	\$ 11,441,994
Liabilities	4,843,762	4,451,197	4,503,476
Net position	8,124,160	8,312,912	6,938,518

You can read the complete audited financial statements for The Ohio School Plan at the Plan’s website, www.ohioschoolplan.org under “Financials”.

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

B. Employee Dishonesty Bonds

The Treasurer is covered by a \$100,000 surety bond through CAN Surety (Boales Insurance Agent, Inc. Ashland, Ohio). The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$100,000.

C. Workers’ Compensation

For fiscal year 2020, the District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 2 A). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers’ compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the Plan.

D. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (the Association) to provide medical/surgical, dental, vision, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of school districts that provide public education within Erie and Huron Counties. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 12 - RISK MANAGEMENT - (Continued)

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - District Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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%.

The District's contractually required contribution to SERS was \$190,950 for fiscal year 2020. Of this amount, \$22,522 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$655,048 for fiscal year 2020. Of this amount, \$114,128 is reported as pension and postemployment benefits payable.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 District 's proportion of the net pension liability was based on the District 's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03840770%	0.03900581%	
Proportion of the net pension liability current measurement date	<u>0.04024850%</u>	<u>0.03796892%</u>	
Change in proportionate share	<u>0.00184080%</u>	<u>-0.00103689%</u>	
Proportionate share of the net pension liability	\$ 2,408,138	\$ 8,396,598	\$ 10,804,736
Pension expense	\$ 376,463	\$ 1,083,400	\$ 1,459,863

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 61,067	\$ 68,363	\$ 129,430
Changes of assumptions	-	986,344	986,344
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	58,331	39,279	97,610
Contributions subsequent to the measurement date	<u>190,950</u>	<u>655,048</u>	<u>845,998</u>
Total deferred outflows of resources	<u>\$ 310,348</u>	<u>\$ 1,749,034</u>	<u>\$ 2,059,382</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 36,346	\$ 36,346
Net difference between projected and actual earnings on pension plan investments	30,913	410,378	441,291
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>6,416</u>	<u>243,417</u>	<u>249,833</u>
Total deferred inflows of resources	<u>\$ 37,329</u>	<u>\$ 690,141</u>	<u>\$ 727,470</u>

\$845,998 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$ 101,200	\$ 466,984	\$ 568,184
2022	(34,602)	25,747	(8,855)
2023	(2,056)	(95,809)	(97,865)
2024	<u>17,527</u>	<u>6,923</u>	<u>24,450</u>
Total	<u>\$ 82,069</u>	<u>\$ 403,845</u>	<u>\$ 485,914</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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 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)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<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	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). Based on those

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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,374,663	\$ 2,408,138	\$ 1,597,587

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:

	July 1, 2019
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%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

**10-Year 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% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 12,270,693	\$ 8,396,598	\$ 5,116,979

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

Plan Description - District Employees Retirement System (SERS)

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$25,782.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$25,782 for fiscal year 2020. Of this amount, \$25,782 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03905550%	0.03900581%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.04109070%</u>	<u>0.03796892%</u>	
Change in proportionate share	<u>0.00203520%</u>	<u>-0.00103689%</u>	
Proportionate share of the net OPEB liability	\$ 1,033,345	\$ -	\$ 1,033,345
Proportionate share of the net OPEB asset	\$ -	\$ (628,856)	\$ (628,856)
OPEB expense	\$ 38,614	\$ (198,079)	\$ (159,465)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 15,168	\$ 57,010	\$ 72,178
Net difference between projected and actual earnings on OPEB plan investments	2,481	-	2,481
Changes of assumptions	75,474	13,218	88,692
Difference between employer contributions and proportionate share of contributions/change in proportionate share	49,959	7,853	57,812
Contributions subsequent to the measurement date	<u>25,782</u>	<u>-</u>	<u>25,782</u>
Total deferred outflows of resources	<u>\$ 168,864</u>	<u>\$ 78,081</u>	<u>\$ 246,945</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 227,019	\$ 31,993	\$ 259,012
Net difference between projected and actual earnings on OPEB plan investments	-	39,495	39,495
Changes of assumptions	57,907	689,466	747,373
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>20,973</u>	<u>27,250</u>	<u>48,223</u>
Total deferred inflows of resources	<u>\$ 305,899</u>	<u>\$ 788,204</u>	<u>\$ 1,094,103</u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$25,782 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (54,319)	\$ (155,657)	\$ (209,976)
2022	(26,312)	(155,655)	(181,967)
2023	(25,584)	(139,827)	(165,411)
2024	(25,700)	(134,276)	(159,976)
2025	(21,931)	(125,521)	(147,452)
Thereafter	(8,971)	813	(8,158)
Total	\$ (162,817)	\$ (710,123)	\$ (872,940)

Actuarial Assumptions - SERS

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

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

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

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments 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:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

The 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%, 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.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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%, 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. A municipal bond rate of 3.62% was used as of June 30, 2018. 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 District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 1,254,284	\$ 1,033,345
	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 827,918	\$ 1,033,345

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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.

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

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

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, 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%) or one percentage point higher (8.45%) 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 536,604	\$ 628,856
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 713,094	\$ 628,856	\$ 525,685

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance		<u>General fund</u>
Budget basis		\$ 689,447
Net adjustment for revenue accruals		(159,209)
Net adjustment for expenditure accruals		74,097
Net adjustment for other sources/uses		33,124
Funds budgeted elsewhere		105,198
Adjustment for encumbrances		<u>25,666</u>
GAAP basis		<u>\$ 768,323</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary – special services fund, the transportation-shared services fund and the public school support fund.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 16 - CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2019-2020 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the final fiscal year 2020 FTE review, an immaterial intergovernmental receivable due from ODE was reported at June 30, 2020.

D. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 17 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	156,120
Current year qualifying expenditures	(521,755)
Current year offsets	<u>(72,704)</u>
Total	<u>\$ (438,339)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u><u>\$ -</u></u>

In prior fiscal years, the District issued \$2,130,000 in classroom facilities general obligation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$2,130,000 at June 30, 2020.

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

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General	\$ 24,638
Other governmental	<u>15,568</u>
Total	<u><u>\$ 40,206</u></u>

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.40248500%	0.03840770%	0.03913930%	0.03889070%
District's proportionate share of the net pension liability	\$ 2,408,138	\$ 2,199,680	\$ 2,338,487	\$ 2,846,440
District's covered payroll	\$ 1,348,304	\$ 1,305,674	\$ 1,247,650	\$ 1,191,507
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.60%	168.47%	187.43%	238.89%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014
0.04071650%	0.04387900%	0.04387900%
\$ 2,323,323	\$ 2,220,691	\$ 2,609,343
\$ 1,225,781	\$ 1,275,036	\$ 1,296,705
189.54%	174.17%	201.23%
69.16%	71.70%	65.52%

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03796892%	0.03900581%	0.03874138%	0.03943759%
District's proportionate share of the net pension liability	\$ 8,396,598	\$ 8,576,502	\$ 9,203,098	\$ 13,200,950
District's covered payroll	\$ 4,497,814	\$ 4,400,014	\$ 4,465,536	\$ 4,037,543
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.68%	194.92%	206.09%	326.96%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03898465%	0.04009894%	0.04009894%
\$ 10,774,217	\$ 9,753,450	\$ 11,618,246
\$ 4,067,393	\$ 4,097,008	\$ 4,170,308
264.89%	238.06%	278.59%
72.10%	74.70%	69.30%

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 190,950	\$ 182,021	\$ 176,266	\$ 174,671
Contributions in relation to the contractually required contribution	<u>(190,950)</u>	<u>(182,021)</u>	<u>(176,266)</u>	<u>(174,671)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,363,929	\$ 1,348,304	\$ 1,305,674	\$ 1,247,650
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 166,811	\$ 161,558	\$ 176,720	\$ 179,464	\$ 170,082	\$ 158,741
<u>(166,811)</u>	<u>(161,558)</u>	<u>(176,720)</u>	<u>(179,464)</u>	<u>(170,082)</u>	<u>(158,741)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,191,507	\$ 1,225,781	\$ 1,275,036	\$ 1,296,705	\$ 1,264,550	\$ 1,262,856
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 655,048	\$ 629,694	\$ 616,002	\$ 625,175
Contributions in relation to the contractually required contribution	<u>(655,048)</u>	<u>(629,694)</u>	<u>(616,002)</u>	<u>(625,175)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,678,914	\$ 4,497,814	\$ 4,400,014	\$ 4,465,536
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 565,256	\$ 569,435	\$ 532,611	\$ 542,140	\$ 549,584	\$ 550,951
<u>(565,256)</u>	<u>(569,435)</u>	<u>(532,611)</u>	<u>(542,140)</u>	<u>(549,584)</u>	<u>(550,951)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,037,543	\$ 4,067,393	\$ 4,097,008	\$ 4,170,308	\$ 4,227,569	\$ 4,238,085
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.04109070%	0.03905550%	0.03971540%	0.03942808%
District's proportionate share of the net OPEB liability	\$ 1,033,345	\$ 1,083,505	\$ 1,065,857	\$ 1,123,846
District's covered payroll	\$ 1,348,304	\$ 1,305,674	\$ 1,247,650	\$ 1,191,507
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.64%	82.98%	85.43%	94.32%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03796892%	0.03900581%	0.03874138%	0.03943759%
District's proportionate share of the net OPEB liability/(asset)	\$ (628,856)	\$ (626,783)	\$ 1,511,546	\$ 2,109,133
District's covered payroll	\$ 4,497,814	\$ 4,400,014	\$ 4,465,536	\$ 4,037,543
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.98%	14.25%	33.85%	52.24%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.33%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 25,782	\$ 31,091	\$ 28,031	\$ 21,637
Contributions in relation to the contractually required contribution	<u>(25,782)</u>	<u>(31,091)</u>	<u>(28,031)</u>	<u>(21,637)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,363,929	\$ 1,348,304	\$ 1,305,674	\$ 1,247,650
Contributions as a percentage of covered payroll	1.89%	2.31%	2.15%	1.73%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 20,022	\$ 32,425	\$ 24,204	\$ 24,765	\$ 25,794	\$ 36,487
<u>(20,022)</u>	<u>(32,425)</u>	<u>(24,204)</u>	<u>(24,765)</u>	<u>(25,794)</u>	<u>(36,487)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,191,507	\$ 1,225,781	\$ 1,275,036	\$ 1,296,705	\$ 1,264,550	\$ 1,262,856
1.68%	2.65%	1.90%	1.91%	2.04%	2.89%

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,678,914	\$ 4,497,814	\$ 4,400,014	\$ 4,465,536
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 41,580	\$ 41,703	\$ 42,276	\$ 42,381
-	-	(41,580)	(41,703)	(42,276)	(42,381)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,037,543	\$ 4,067,393	\$ 4,097,008	\$ 4,170,308	\$ 4,227,569	\$ 4,238,085
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) 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, (f) 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, (g) 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 (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) 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 (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.

(Continued)

**NEW LONDON LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) 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, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% 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 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% 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.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) 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 and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) 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) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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OHIO AUDITOR OF STATE KEITH FABER



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

New London Local School District
Huron County
2 Wildcat Drive
New London, Ohio 44851-9262

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 New London Local School District, Huron 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 and have issued our report thereon dated March 31, 2021, wherein we noted the District implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. 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 opinions 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 31, 2021

OHIO AUDITOR OF STATE KEITH FABER



NEW LONDON LOCAL SCHOOL DISTRICT

HURON 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 5/6/2021

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