



OHIO AUDITOR OF STATE
KEITH FABER



**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY
JUNE 30, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Budget Basis - General Fund.....	19
Statement of Changes in Fiduciary Net Position Custodial Fund	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio.....	66
Schedule of the School District’s Proportionate Share of the Net OPEB Liability – School Employees Retirement System of Ohio	68
Schedule of the School District’s Proportionate Share of the Net Pension Liability – State Teachers Retirement System of Ohio	70
Schedule of the School District’s Proportionate Share of the Net OPEB Liability – State Teachers Retirement System of Ohio.....	72

**TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT
PREBLE COUNTY
JUNE 30, 2020**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of the School District's Contributions – School Employees Retirement System of Ohio	74
Schedule of the School District's Contributions – State Teachers Retirement System of Ohio	76
Notes to the Required Supplementary Information.....	79
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	83

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Tri-County North Local School District
Preble County
436 North Commerce Street
Lewisburg, Ohio 45338

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 Tri-County North Local School District, Preble County, Ohio (the District), as of and for the fiscal 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 Matter

As discussed in Note 3 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 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 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

February 18, 2021

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The discussion and analysis of Tri-County North Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. Readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- The School District completed the renovation of the High School Lecture Room project.
- The School District gave a two percent salary increase to certified personnel and a three percent increase to classified personnel.
- The School District purchased and demolished the last remaining house in front of the school building. Future plans are for additional parking for the School District.

Using this Generally Accepted Accounting Principles (GAAP) Report

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

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

Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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

In the statement of net position and the statement of activities, the School District reports only governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation of non-instructional services, and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

The School District as a Whole

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

Table 1
Net Position
Governmental Activities

	2020	Restated 2019	Change
Assets:			
Current and Other Assets	\$14,709,400	\$14,489,920	\$219,480
Net OPEB Asset	614,369	596,106	18,263
Capital Assets, Net	8,630,523	8,548,758	81,765
<i>Total Assets</i>	<u>23,954,292</u>	<u>23,634,784</u>	<u>319,508</u>
Deferred Outflows of Resources:			
Pension	2,052,257	2,820,934	(768,677)
OPEB	214,061	144,983	69,078
<i>Total Deferred Inflow of Resources</i>	<u>2,266,318</u>	<u>2,965,917</u>	<u>(699,599)</u>
Liabilities:			
Other Liabilities	1,103,609	1,081,975	21,634
Long-Term Liabilities:			
Due Within One Year	3,886	5,279	(1,393)
Due In More Than One Year:			
Net Pension Liability	10,289,354	10,116,473	172,881
Net OPEB Liability	889,301	954,554	(65,253)
Other Liabilities	475,125	434,457	40,668
<i>Total Liabilities</i>	<u>12,761,275</u>	<u>12,592,738</u>	<u>168,537</u>
Deferred Inflows of Resources:			
Property Taxes	4,526,705	4,929,610	(402,905)
Pension	494,507	811,703	(317,196)
OPEB	1,007,532	1,039,233	(31,701)
<i>Total Deferred Inflow of Resources</i>	<u>6,028,744</u>	<u>6,780,546</u>	<u>(751,802)</u>
Net Position:			
Net Investment in Capital Assets	8,630,523	8,548,758	81,765
Restricted	853,162	540,302	312,860
Unrestricted (Deficit)	(2,053,094)	(1,861,643)	(191,451)
<i>Total Net Position</i>	<u>\$7,430,591</u>	<u>\$7,227,417</u>	<u>\$203,174</u>

Tri-County North Local School District
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 School District at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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.

Total assets of governmental activities increased \$319,508. Current and other assets increased \$219,480 primarily due to an increase in cash and cash equivalents. Cash and cash equivalents increased due to revenues continuing to exceed expenditures.

Total liabilities increased \$168,537 due to an increase in the net pension liability caused by changes in assumptions and benefit terms in the state-wide pension systems.

Restricted net position increased \$312,860, mainly due to a decrease in expenditures for capital projects from the prior fiscal year.

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

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

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
Change in Net Position

	2020	2019	Change
Revenues:			
Program Revenues:			
Charges for Services	\$671,227	\$676,919	(\$5,692)
Operating Grants, Interest and Contributions	972,313	819,865	152,448
<i>Total Program Revenues</i>	<u>1,643,540</u>	<u>1,496,784</u>	<u>146,756</u>
General Revenues:			
Property Taxes	4,081,812	4,008,643	73,169
Income Taxes	1,160,651	1,188,472	(27,821)
Payment in Lieu of Taxes	58,414	49,666	8,748
Grants and Entitlements not Restricted to Specific Programs	4,875,273	5,061,354	(186,081)
Interest	164,034	159,381	4,653
Gifts and Donations	0	1,000	(1,000)
Miscellaneous	73,834	77,504	(3,670)
<i>Total General Revenues</i>	<u>10,414,018</u>	<u>10,546,020</u>	<u>(132,002)</u>
<i>Total Revenues</i>	<u>12,057,558</u>	<u>12,042,804</u>	<u>14,754</u>
Program Expenses:			
Instruction:			
Regular	5,663,208	4,131,433	1,531,775
Special	1,228,481	1,148,941	79,540
Vocational	63,547	50,736	12,811
Support Services:			
Pupils	639,563	658,673	(19,110)
Instructional Staff	545,144	445,386	99,758
Board of Education	22,366	23,960	(1,594)
Administration	1,158,306	1,056,894	101,412
Fiscal	245,776	232,442	13,334
Operation and Maintenance of Plant	888,120	948,251	(60,131)
Pupil Transportation	624,426	584,914	39,512
Central	26,371	35,496	(9,125)
Operation of Non-Instructional Services	326,695	332,338	(5,643)
Extracurricular Activities	422,381	375,478	46,903
<i>Total Expenses</i>	<u>11,854,384</u>	<u>10,024,942</u>	<u>1,829,442</u>
<i>Change in Net Position</i>	<u>203,174</u>	<u>2,017,862</u>	<u>(1,814,688)</u>
<i>Net Position at Beginning of Year</i>	<u>7,227,417</u>	<u>4,913,675</u>	<u>2,313,742</u>
<i>Restatement</i>	<u>0</u>	<u>295,880</u>	<u>(295,880)</u>
<i>Net Position at End of Year</i>	<u><u>\$7,430,591</u></u>	<u><u>\$7,227,417</u></u>	<u><u>\$203,174</u></u>

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Governmental Activities

Total revenues saw an insignificant increase of \$14,754. Operating grants, interest and contributions program revenue increased \$152,488 due to a new grant for student wellness that was received during fiscal year 2020.

Total expenses increased \$1,829,442 from the previous year due to the changes in assumptions and benefit terms in the state-wide pension systems.

The School District's Funds

The major fund for the School District is the General Fund. The General Fund is the chief operating fund for the School District and accounts for 93 percent of all expenditures made during fiscal year 2020.

Revenues decreased slightly from the prior year by \$121,175. Expenses slightly increased by \$192,809 from the prior year. Despite these changes, fund balance increased \$226,951 due to revenues continuing to exceed expenditures during the fiscal year.

General Fund Budgeting Highlights

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

For the General Fund, the actual and final budgeted revenues were \$10,904,653, an increase of \$555,359 from the original budgeted revenues estimate. The increase in budgeted revenues was mainly due to the School District receiving more State funding compared to the amount originally anticipated.

During the course of fiscal year 2020, final appropriations decreased \$453,435 from original appropriations to \$10,693,665, mainly due to careful monitoring of expenditures through the fiscal year, which fell short of the original appropriations due to decreases in utilities and other variable expenditures when the school buildings were closed due to the COVID-19 pandemic.

Tri-County North Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Capital Assets

Table 3 shows fiscal year 2020, balances compared to fiscal year 2019.

Table 3
 Capital Assets (Net of Depreciation) at June 30,

	2020	2019
Land	\$551,142	\$508,042
Construction in Progress	0	11,753
Land Improvements	443,714	450,584
Buildings and Improvements	6,021,030	6,137,322
Furniture, Fixtures, and Equipment	1,346,982	1,137,812
Vehicles	267,655	303,245
<i>Totals</i>	\$8,630,523	\$8,548,758

Overall capital assets increased \$81,765 from fiscal year 2019 to fiscal year 2020 because of current year additions exceeding current year depreciation. For more information on capital assets, refer to Note 10 of the basic financial statements.

Debt Administration

As of June 30, 2020, the School District has no debt outstanding.

For more information see Note 15 of the Basic Financial Statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lynn Ferguson, Treasurer, at Tri-County North Local School District, 436 North Commerce Street, Lewisburg, Ohio 45338 or email at lynn.ferguson@tcnschools.com.

This page intentionally left blank.

Tri-County North Local School District

Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,972,083
Accounts Receivable	42,724
Accrued Interest Receivable	18,985
Intergovernmental Receivable	180,030
Inventory of Supplies and Materials	38,808
Inventory Held for Resale	8,241
Property Taxes Receivable	5,027,037
Income Taxes Receivable	421,492
Net OPEB Asset	614,369
Nondepreciable Capital Assets	551,142
Depreciable Capital Assets, Net	<u>8,079,381</u>
<i>Total Assets</i>	<u>23,954,292</u>
Deferred Outflow of Resources:	
Pension	2,052,257
OPEB	<u>214,061</u>
<i>Total Deferred Outflows of Resources</i>	<u>2,266,318</u>
Liabilities:	
Accounts Payable	30,286
Accrued Wages and Benefits Payable	837,743
Matured Compensated Absences Payable	27,878
Accrued Vacation Leave Payable	51,072
Intergovernmental Payable	156,630
Long-Term Liabilities:	
Due Within One Year	3,886
Due In More Than One Year:	
Net Pension Liability	10,289,354
Net OPEB Liability	889,301
Other Liabilities	<u>475,125</u>
<i>Total Liabilities</i>	<u>12,761,275</u>
Deferred Inflows of Resources:	
Property Taxes	4,526,705
Pension	494,507
OPEB	<u>1,007,532</u>
<i>Total Deferred Inflows of Resources</i>	<u>\$6,028,744</u>
	(Continued)

Tri-County North Local School District
Statement of Net Position
June 30, 2020
(Continued)

	<u>Governmental Activities</u>
Net Position:	
Net Investment in Capital Assets	\$8,630,523
Restricted for:	
Capital Improvements	277,855
Good Samaritan Marketing	57,281
Food Service Operations	3,437
Latchkey	2,070
Student Activities	130,297
Federal and State Grants	310,630
Scholarships	58,811
Endowment:	
Expendable	2,781
Nonexpendable	10,000
Unrestricted (Deficit)	<u>(2,053,094)</u>
 <i>Total Net Position</i>	 <u><u>\$7,430,591</u></u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, Interest and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$5,663,208	\$300,532	\$197,178	(\$5,165,498)
Special	1,228,481	62,196	387,713	(778,572)
Vocational	63,547	3,450	7,024	(53,073)
Support Services:				
Pupils	639,563	0	184,102	(455,461)
Instructional Staff	545,144	0	0	(545,144)
Board of Education	22,366	0	0	(22,366)
Administration	1,158,306	0	3,500	(1,154,806)
Fiscal	245,776	0	0	(245,776)
Operation and Maintenance of Plant	888,120	9,775	16,517	(861,828)
Pupil Transportation	624,426	0	0	(624,426)
Central	26,371	0	5,400	(20,971)
Operation of Non-Instructional Services	326,695	101,876	169,052	(55,767)
Extracurricular Activities	422,381	193,398	1,827	(227,156)
Totals	\$11,854,384	\$671,227	\$972,313	(10,210,844)
General Revenues:				
Property Taxes Levied for:				
General Purposes				3,961,401
Capital Outlay				120,411
Income Taxes				1,160,651
Payments in Lieu of Taxes				58,414
Grants and Entitlements not Restricted to Specific Programs				4,875,273
Interest				164,034
Miscellaneous				73,834
<i>Total General Revenues</i>				<u>10,414,018</u>
<i>Change in Net Position</i>				203,174
<i>Net Position Beginning of Year - Restated See Note 3</i>				<u>7,227,417</u>
<i>Net Position at End of Year</i>				<u><u>\$7,430,591</u></u>

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

Tri-County North Local School District

Balance Sheet

Governmental Funds

June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$8,304,946	\$641,616	\$8,946,562
Receivables:			
Property Taxes	4,899,230	127,807	5,027,037
Income Taxes	421,492	0	421,492
Accounts	40,745	1,979	42,724
Intergovernmental	35,583	144,447	180,030
Accrued Interest	18,985	0	18,985
Interfund	1,223	0	1,223
Inventory of Supplies and Materials	38,808	0	38,808
Inventory Held for Resale	0	8,241	8,241
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	25,521	0	25,521
<i>Total Assets</i>	<u>\$13,786,533</u>	<u>\$924,090</u>	<u>\$14,710,623</u>
Liabilities:			
Accounts Payable	\$28,866	\$1,420	\$30,286
Accrued Wages and Benefits Payable	832,629	5,114	837,743
Intergovernmental Payable	147,643	8,987	156,630
Interfund Payable	0	1,223	1,223
Matured Compensated Absences Payable	27,878	0	27,878
<i>Total Liabilities</i>	<u>1,037,016</u>	<u>16,744</u>	<u>1,053,760</u>
Deferred Inflows of Resources:			
Property Taxes	4,415,240	111,465	4,526,705
Unavailable Revenue	311,923	152,205	464,128
<i>Total Deferred Inflows of Resources</i>	<u>4,727,163</u>	<u>263,670</u>	<u>4,990,833</u>
Fund Balances:			
Nonspendable	64,329	10,000	74,329
Restricted	57,281	634,899	692,180
Committed	155,520	0	155,520
Assigned	1,061,149	0	1,061,149
Unassigned (Deficit)	6,684,075	(1,223)	6,682,852
<i>Total Fund Balances</i>	<u>8,022,354</u>	<u>643,676</u>	<u>8,666,030</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,786,533</u>	<u>\$924,090</u>	<u>\$14,710,623</u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2020

Total Governmental Fund Balances	\$8,666,030
---	--------------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	551,142	
Land Improvements	1,134,862	
Buildings and Improvements	14,427,560	
Furniture, Fixtures, and Equipment	4,596,607	
Vehicles	957,490	
Accumulated Depreciation	(13,037,138)	
Total Capital Assets	8,630,523	8,630,523

Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.

Delinquent Property Taxes	166,774	
Income Taxes	104,795	
Accounts Receivable	41,537	
Interest Receivable	6,575	
Intergovernmental	144,447	
Total	464,128	464,128

The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:

Net OPEB Asset	614,369	
Deferred Outflows - Pension	2,052,257	
Deferred Outflows - OPEB	214,061	
Net Pension Liability	(10,289,354)	
Net OPEB Liability	(889,301)	
Deferred Inflows - Pension	(494,507)	
Deferred Inflows - OPEB	(1,007,532)	
Total	(9,800,007)	(9,800,007)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:

Accrued Vacation Leave Payable	(51,072)	
Compensated Absences	(479,011)	
Total Liabilities	(530,083)	(530,083)

<i>Net Position of Governmental Activities</i>	<u><u>\$7,430,591</u></u>
--	----------------------------------

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$4,003,161	\$121,374	\$4,124,535
Income Taxes	1,055,856	0	1,055,856
Intergovernmental	5,084,930	642,139	5,727,069
Interest	170,771	0	170,771
Tuition and Fees	362,249	0	362,249
Rent	20,424	0	20,424
Extracurricular Activities	25,992	167,406	193,398
Gifts and Donations	3,828	5,064	8,892
Charges for Services	0	99,897	99,897
Payments in Lieu of Taxes	58,414	0	58,414
Miscellaneous	72,274	1,560	73,834
<i>Total Revenues</i>	<u>10,857,899</u>	<u>1,037,440</u>	<u>11,895,339</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,085,585	15,261	5,100,846
Special	1,084,569	105,931	1,190,500
Vocational	59,536	0	59,536
Support Services:			
Pupils	464,249	155,589	619,838
Instructional Staff	496,835	8,325	505,160
Board of Education	22,366	0	22,366
Administration	1,075,923	0	1,075,923
Fiscal	223,958	2,900	226,858
Operation and Maintenance of Plant	1,063,085	83,069	1,146,154
Pupil Transportation	550,411	0	550,411
Central	20,971	5,400	26,371
Operation of Non-Instructional Services	0	297,951	297,951
Extracurricular Activities	269,184	143,045	412,229
Capital Outlay	189,276	21,084	210,360
<i>Total Expenditures</i>	<u>10,605,948</u>	<u>838,555</u>	<u>11,444,503</u>
<i>Excess of Revenues Over Expenditures</i>	251,951	198,885	450,836
Other Financing Sources (Uses):			
Transfer In	0	25,000	25,000
Transfer Out	(25,000)	0	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>25,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	226,951	223,885	450,836
<i>Fund Balances at Beginning of Year - Restated See Note 3</i>	<u>7,795,403</u>	<u>419,791</u>	<u>8,215,194</u>
<i>Fund Balances at End of Year</i>	<u><u>\$8,022,354</u></u>	<u><u>\$643,676</u></u>	<u><u>\$8,666,030</u></u>

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$450,836

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	735,243	
Depreciation Expense	(473,847)	
Excess of Capital Outlay over Depreciation Expense		261,396

The cost of disposed capital assets is removed from the capital assets account on the statement of net position resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(179,631)
------------------------------------	--	-----------

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are unavailable in the governmental funds.

Property Taxes	(42,723)	
Income Taxes	104,795	
Intergovernmental	111,625	
Interest	(6,737)	
Tuition and Fees	(6,720)	
Charges for Services	1,979	
Total		162,219

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

Pension	798,661	
OPEB	16,602	
Total		815,263

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

Pension	(1,423,023)	
OPEB	167,693	
Total		(1,255,330)

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

These activities consist of:

Increase in Accrued Vacation Leave Payable	(12,304)	
Increase in Compensated Absences	(39,275)	
Total		(51,579)

<i>Change in Net Position of Governmental Activities</i>		<u><u>\$203,174</u></u>
--	--	-------------------------

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$3,987,815	\$4,014,213	\$4,014,213	\$0
Income Tax	1,181,443	1,179,535	1,179,535	0
Intergovernmental	4,521,480	5,064,047	5,064,047	0
Interest	158,428	157,707	157,707	0
Tuition and Fees	362,078	362,791	362,791	0
Rent	26,260	20,424	20,424	0
Extracurricular Activities	24,449	25,992	25,992	0
Gifts and Donations	1,375	3,828	3,828	0
Payments in Lieu of Taxes	49,666	58,414	58,414	0
Miscellaneous	36,300	17,702	17,702	0
<i>Total Revenues</i>	10,349,294	10,904,653	10,904,653	0
Expenditures:				
Current:				
Instruction:				
Regular	4,796,432	5,016,076	5,016,076	0
Special	1,137,617	1,106,072	1,106,072	0
Vocational	66,361	59,482	59,482	0
Support Services:				
Pupils	591,805	480,806	480,806	0
Instructional Staff	454,759	509,886	509,886	0
Board of Education	26,618	22,685	22,685	0
Administration	1,080,412	1,051,150	1,051,150	0
Fiscal	257,370	220,908	220,908	0
Operation and Maintenance of Plant	1,308,686	1,148,289	1,148,289	0
Pupil Transportation	745,571	572,584	572,584	0
Central	62,753	20,971	20,971	0
Extracurricular Activities	316,630	269,348	269,348	0
Capital Outlay	302,086	215,408	215,408	0
<i>Total Expenditures</i>	11,147,100	10,693,665	10,693,665	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(797,806)	210,988	210,988	0
Other Financing Sources (Uses):				
Refund of Prior Year Expenditure	73,127	56,668	56,668	0
Advances In	0	0	115,000	115,000
Advances Out	0	(116,223)	(116,223)	0
Transfers Out	0	(25,000)	(25,000)	0
<i>Total Other Financing Sources (Uses)</i>	73,127	(84,555)	30,445	115,000
<i>Net Change in Fund Balance</i>	(724,679)	126,433	241,433	115,000
<i>Fund Balance at Beginning of Year</i>	7,541,159	7,541,159	7,541,159	0
<i>Prior Year Encumbrances Appropriated</i>	266,859	266,859	266,859	0
<i>Fund Balance at End of Year</i>	\$7,083,339	\$7,934,451	\$8,049,451	\$115,000

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Fiscal Year Ended June 30, 2020

	OHSAA Fund
Additions:	
Charges Received for OHSAA	\$773
Deductions:	
Distributions on Behalf of OHSAA	773
<i>Changes in Net Position</i>	0
<i>Net Position at Beginning of Year - Restated See Note 3</i>	0
<i>Net Position at End of Year</i>	\$0

See Accompanying Notes to the Basic Financial Statements

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tri-County North Local School District (the “School District”) was created from the northern half of the Twin Valley School District in 1983. The School District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District currently operates one instructional building, a district office, and a bus garage. The School District is staffed by 39 classified employees and 66 certified full-time personnel who provide services to 808 students and other community members.

Reporting Entity:

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

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

The School District participates in two jointly governed organizations, two insurance purchasing pools, and one shared risk pool. These organizations are discussed in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Southwest Ohio Computer Association
- Southwestern Ohio Educational Purchasing Council

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan
- Ohio School Plan

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Shared Risk Pool:
Southwestern Ohio Educational Purchasing Cooperative Benefit
Trust Plan

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements:

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fund Financial Statements:

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

Fund Accounting

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

Governmental Funds:

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

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

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

Fiduciary Funds:

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows / Inflows of Resources

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and accounts, interest, and intergovernmental receivables. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

Expenses/Expenditures:

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

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

Cash and Cash Equivalents

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

During fiscal year 2020, the School District invested in negotiable certificates of deposit. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2020 amounted to \$170,771, which includes \$12,212 assigned from other School District funds.

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of expendable supplies held for consumption and purchased food held for resale.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets represent cash and cash equivalents held as unclaimed monies.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	25 years
Buildings and Improvements	10-50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-10 years

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Compensated Absences

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

Vacation leave is accumulated by employees at the applicable vacation rate based on the employees' years of service. The School District will record the liability "Accrued Vacation Leave Payable" for the balance at the end of the fiscal year. School District employees cannot carry vacation leave balances over to the next calendar year.

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

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

Accrued Liabilities and Long-term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Fund Balance

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

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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. Committed fund balance incorporates termination benefits to the extent that existing resources in the fund have been specifically committed for use in satisfying those requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. The principal’s amount assigned in the General Fund represents amounts to be assigned by principals for extracurricular activities. State statute authorizes the Treasurer to assign fund balance purchase orders provided such amounts have been lawfully appropriated. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2021 appropriation budget.

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Net Position

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

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

Internal Activity

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

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

Budgetary Process

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenues are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board. Prior to fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in all funds.

The appropriations resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to fiscal year-end, the School District passed amended appropriations that reflected actual expenses for the fiscal year in all funds.

Estimates

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

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

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

For fiscal year 2020, the School District implemented GASB Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. These changes were incorporated in the School District's 2020 financial statements; however, there was no effect on beginning net position/fund balance.

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

GASB Statement 87 requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the School District's fiscal year 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balances and Net Position

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

	Governmental Activities
Net Position, June 30, 2019	\$6,931,537
Adjustments:	
GASB 84	295,880
Restated Net Position, June 30, 2019	\$7,227,417

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

	Governmental Funds		
	General Fund	Nonmajor Funds	Total
Fund Balances, June 30, 2019	\$7,627,836	\$291,478	\$7,919,314
Adjustments:			
GASB 84	167,567	128,313	295,880
Restated Fund Balances, June 30, 2019	\$7,795,403	\$419,791	\$8,215,194

The implementation of GASB Statement No. 84 had on the following effect of private purpose trust as of June 30, 2019:

	Private Purpose Trust
Net Position, June 30, 2019	\$78,863
Adjustments:	
GASB 84	(78,863)
Restated Net Position, June 30, 2019	\$0

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting no beginning assets or liabilities. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and liabilities of \$217,017.

NOTE 4 – ACCOUNTABILITY

At June 30, 2020, Title VI-B Fund had a deficit fund balance of \$1,223. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance – budget and actual – budget basis is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Unrecorded cash represents amounts received and spent but not included on the budget basis operating statement
4. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis)
5. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed, or assigned fund balance (GAAP).

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis	\$226,951
Net Adjustments for Revenue Accruals	221,227
Net Adjustments for Expenditure Accruals	(13,449)
Unrecorded Cash Fiscal Year Ended 2020	(6,877)
Unrecorded Cash Fiscal Year Ended 2019	12,475
Fair Value of Investments Fiscal Year Ended 2020	(9,563)
Fair Value of Investments Fiscal Year Ended 2019	1,160
Adjustment for Encumbrances	(190,491)
Budget Basis	<u><u>\$241,433</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Investments

Investments are reported at fair value. As of June 30, 2020, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Moody's Rating</u>	<u>Percentage of Investment</u>
Fair Value - Level Two Inputs				
Negotiable Certificates of Deposit	<u>\$3,009,563</u>	Less than one year	N/A	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2020. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tri-County North Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Preble, Montgomery, and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2020, was \$333,558 and is recognized as revenue: \$322,995 in the General Fund and \$10,563 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2019, was \$334,047 in the General Fund and \$11,217 in the Permanent Improvement Fund.

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

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

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$128,040,320	93.56%	\$128,273,800	93.32%
Public Utility Personal	8,809,410	6.44%	9,189,350	6.68%
Total Assessed Value	<u>\$136,849,730</u>	<u>100.00%</u>	<u>\$137,463,150</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.95		\$41.95	

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2015, for a five year period and was renewed in May 2019, for an additional five year period. Employers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

NOTE 9 – RECEIVABLES

Receivables at June 30, 2020, consisted of property taxes, income taxes, accounts (tuition and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables, except delinquent property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
IDEA-B Special Education	\$17,524
Title I	32,500
Title I-A	68,872
Title II-A	25,551
School Employees Retirement System	7,965
State Teachers Retirement System	11,256
Foundation Adjustments	2,016
Motor Fuel Tax Refund	2,911
Miami Valley Career Technology Center	1,289
Miami County Educational Service Center	10,146
Total	\$180,030

NOTE 10 – CAPITAL ASSETS

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	Balance 6/30/19	Additions	Deductions	Balance 6/30/20
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$508,042	\$43,100	\$0	\$551,142
Construction in Progress	11,753	31,008	(42,761)	0
Total Capital Assets, not Being Depreciated	<u>519,795</u>	<u>74,108</u>	<u>(42,761)</u>	<u>551,142</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,117,462	17,400	0	1,134,862
Buildings and Improvements	14,238,282	276,676	(87,398)	14,427,560
Furniture, Fixtures, and Equipment	4,756,584	409,820	(569,797)	4,596,607
Vehicles	957,490	0	0	957,490
Total Capital Assets, Being Depreciated	<u>21,069,818</u>	<u>703,896</u>	<u>(657,195)</u>	<u>21,116,519</u>
Less Accumulated Depreciation:				
Land Improvements	(\$666,878)	(\$24,270)	\$0	(\$691,148)
Buildings and Improvements	(8,100,960)	(306,607)	1,037	(8,406,530)
Furniture, Fixtures, and Equipment	(3,618,772)	(107,380)	476,527	(3,249,625)
Vehicles	(654,245)	(35,590)	0	(689,835)
Total Accumulated Depreciation	<u>(13,040,855)</u>	<u>(473,847) *</u>	<u>477,564</u>	<u>(13,037,138)</u>
Capital Assets, Being Depreciated, Net	<u>8,028,963</u>	<u>230,049</u>	<u>(179,631)</u>	<u>8,079,381</u>
Governmental Activities Capital Assets, Net	<u>\$8,548,758</u>	<u>\$304,157</u>	<u>(\$222,392)</u>	<u>\$8,630,523</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$285,563
Special	1,508
Vocational	114
Support Services:	
Pupils	70
Instructional Staff	8,870
Administration	20,990
Fiscal	234
Operation and Maintenance of Plant	108,473
Pupil Transportation	36,994
Operation of Non-Instructional Services	5,028
Extracurricular Activities	6,003
Total Depreciation Expense	<u>\$473,847</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 11 – RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted with Hylant Group for property, liability, fleet insurance, and inland marine coverage.

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays an annual premium to the OSP (See Note 17). The School District contracts for crime insurance, education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with the OSP.

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

Workers' Compensation

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

Employee Medical Benefits

During fiscal year 2020, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a shared risk pool (See Note 17). The School District pays monthly premiums to the Trust for employee medical insurance benefits. The School District pays monthly premiums to the Trust for dental and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 – DEFINED BENEFIT PENSION PLANS

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

Net Pension/Net OPEB Liability

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

The School District's contractually required contribution to SERS was \$164,907 for fiscal year 2020. None of this amount is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

The School District's contractually required contribution to STRS was \$633,754 for fiscal year 2020. Of this amount, \$108,336 is reported as an intergovernmental payable.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.03421840%	0.03709665%	
Current Measurement Date	0.03486740%	0.03709428%	
Change in Proportionate Share	<u>0.00064900%</u>	<u>(0.00000237%)</u>	
Proportionate Share of the Net			
Pension Liability	\$2,086,178	\$8,203,176	\$10,289,354
Pension Expense	\$299,765	\$1,123,258	\$1,423,023

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$52,900	\$66,787	\$119,687
Changes of assumptions	0	963,621	963,621
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	19,597	150,691	170,288
School District contributions subsequent to the measurement date	164,907	633,754	798,661
Total Deferred Outflows of Resources	<u>\$237,404</u>	<u>\$1,814,853</u>	<u>\$2,052,257</u>

Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$35,510	\$35,510
Net difference between projected and actual earnings on pension plan investments	26,779	400,927	427,706
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	23,793	7,498	31,291
Total Deferred Inflows of Resources	<u>\$50,572</u>	<u>\$443,935</u>	<u>\$494,507</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

\$798,661 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$48,806	\$604,732	\$653,538
2022	(40,285)	142,696	102,411
2023	(1,781)	(57,009)	(58,790)
2024	15,185	46,745	61,930
Total	\$21,925	\$737,164	\$759,089

Actuarial Assumptions – SERS

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

Tri-County North Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,923,481	\$2,086,178	\$1,383,994

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3.0 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$11,988,029	\$8,203,176	\$4,999,106

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2020, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 – POSTEMPLOYMENT BENEFITS

See Note 12 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$16,602.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$16,602 for fiscal year 2020, which is reported as an inter-governmental payable.

Plan Description – State Teachers Retirement System of Ohio (STRS)

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net			
OPEB Liability/Asset:			
Prior Measurement Date	0.03440740%	0.03709665%	
Current Measurement Date	<u>0.03536280%</u>	<u>0.03709428%</u>	
Change in Proportionate Share	<u>0.00095540%</u>	<u>(0.00000237%)</u>	
Proportionate Share of the:			
Net OPEB (Asset)	\$0	(\$614,369)	(\$614,369)
Net OPEB Liability	\$889,301	\$0	\$889,301
OPEB Expense	\$14,483	(\$182,176)	(\$167,693)

At June 30, 2020, the School 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	\$13,054	\$55,698	\$68,752
Changes of assumptions	64,953	12,914	77,867
Net difference between projected and actual earnings on pension plan investments	2,135	0	2,135
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	21,292	27,413	48,705
School District contributions subsequent to the measurement date	<u>16,602</u>	<u>0</u>	<u>16,602</u>
Total Deferred Outflows of Resources	<u>\$118,036</u>	<u>\$96,025</u>	<u>\$214,061</u>

Deferred Inflows of Resources:			
Differences between expected and actual experience	\$195,373	\$31,257	\$226,630
Changes of assumptions	49,834	673,585	723,419
Net difference between projected and actual earnings on pension plan investments	0	38,587	38,587
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>18,883</u>	<u>13</u>	<u>18,896</u>
Total Deferred Inflows of Resources	<u>\$264,090</u>	<u>\$743,442</u>	<u>\$1,007,532</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

\$16,602 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$61,268)	(\$140,736)	(\$202,004)
2022	(23,793)	(140,736)	(164,529)
2023	(23,167)	(125,271)	(148,438)
2024	(23,269)	(119,844)	(143,113)
2025	(21,604)	(122,597)	(144,201)
2026	(9,555)	1,767	(7,788)
Total	(\$162,656)	(\$647,417)	(\$810,073)

Actuarial Assumptions – SERS

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

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

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

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1 % Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,079,442	\$889,301	\$738,115
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$712,509	\$889,301	\$1,123,858

Actuarial Assumptions – STRS

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1 % Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$524,243)	(\$614,369)	(\$690,146)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$696,668)	(\$614,369)	(\$513,576)

NOTE 14 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Vacation balances only carry over to the next calendar year if the superintendent approves it. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-third days per month. Upon retirement, payment is made for one-third of the total sick leave accumulation up to a maximum of 80 days for classified employees and one-fourth of the total sick leave up to a maximum of 85 days for certified employees.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Insurance Benefits

The School District provides medical, dental, life and accidental death and dismemberment insurance to all employees through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Note 17).

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2020 were as follows:

	Amount Outstanding 6/30/19	Additions	Deductions	Amount Outstanding 6/30/20	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Net Pension Liability:					
STRS	\$8,156,721	\$46,455	\$0	\$8,203,176	\$0
SERS	1,959,752	126,426	0	2,086,178	0
Total Net Pension Liability	<u>10,116,473</u>	<u>172,881</u>	<u>0</u>	<u>10,289,354</u>	<u>0</u>
Net OPEB Liability:					
SERS	954,554	0	65,253	889,301	0
Compensated Absences	439,736	78,713	39,438	479,011	3,886
Total Long-Term Obligations	<u>\$11,510,763</u>	<u>\$251,594</u>	<u>\$104,691</u>	<u>\$11,657,666</u>	<u>\$3,886</u>

There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: General Fund, Lunchroom Fund, Latchkey Fund, and TCN Athletics Fund. For additional information related to the net pension/OPEB liabilities, see Notes 12 and 13.

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

The School District’s overall legal debt margin was \$12,371,684, with an un-voted debt margin of \$137,463 at June 30, 2020.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 16 – INTERFUND ACTIVITY

As of June 30, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Receivable	
	General	
	Fund	
	<u> </u>	
Payable		
Nonmajor		
Governmental Funds		\$1,223
		<u> </u>

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

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

	Transfers To	
	Nonmajor	
	Governmental	
	Funds	
	<u> </u>	
Transfers From		
General Fund		\$25,000
		<u> </u>

Transfers are used to move General Fund revenues that are used to subsidize various programs in other funds.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND SHARED RISK POOL

Jointly Governed Organizations

Southwest Ohio Computer Association:

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designing management. Each School District’s degree of control is limited to its representation on the board. The School District paid SWOCA \$51,542 for services provided during the fiscal year. Financial information for SWOCA is available at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Southwestern Ohio Educational Purchasing Council:

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designation of management. Each school district's degree of control is limited to its representation on the Board. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2020, the School District did not contribute to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The School District participates in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of approximately 130 School Districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 18 – SET-ASIDE CALCULATION

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

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

	Capital Improvements
Set-aside Balance as of June 30, 2019	\$0
Current Fiscal Year Set-aside Requirement	154,240
Qualifying Disbursements	(32,212)
Current Fiscal Year Offsets	(122,028)
Set-aside Balance as of June 30, 2020	\$0

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 19 – FUND BALANCES

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

Fund Balances	General Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>			
Unclaimed Funds	\$25,521	\$0	\$25,521
Inventory	38,808	0	38,808
Endowment	0	10,000	10,000
<i>Total Nonspendable</i>	<u>\$64,329</u>	<u>\$10,000</u>	<u>\$74,329</u>
<i>Restricted for:</i>			
Capital Improvements	\$0	\$272,076	\$272,076
Good Samaritan Marketing	57,281	0	57,281
Latchkey	0	91	91
Food Service Operations	0	3,437	3,437
Student Activities	0	130,297	130,297
Federal and State Grants	0	167,406	167,406
Scholarships	0	58,811	58,811
Endowment	0	2,781	2,781
<i>Total Restricted</i>	<u>57,281</u>	<u>634,899</u>	<u>692,180</u>
<i>Committed to:</i>			
Termination Benefits	155,520	0	155,520
<i>Assigned to:</i>			
Purchases On Order	163,871	0	163,871
Future Appropriations	868,571	0	868,571
Principal's Fund	28,707	0	28,707
<i>Total Assigned</i>	<u>1,061,149</u>	<u>0</u>	<u>1,061,149</u>
<i>Unassigned (Deficit)</i>	<u>6,684,075</u>	<u>(1,223)</u>	<u>6,682,852</u>
<i>Total Fund Balances</i>	<u>\$8,022,354</u>	<u>\$643,676</u>	<u>\$8,666,030</u>

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 20 – ENDOWMENTS

The School District’s permanent funds include donor-restricted endowments. The Net Position-Non-Expendable amounts of \$10,000 represent the principal portion of the endowments. The Net Position – Expendable amount of \$2,781 represents the interest earnings on donor- restricted investments and is available for expenditure by the governing board, for purposes consistent with the endowment’s intent. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

NOTE 21 – SIGNIFICANT COMMITMENTS

Encumbrances

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

General Fund	\$190,491
Other Governmental Funds	25,038
Total	<u><u>\$215,529</u></u>

NOTE 22 – TAX ABATEMENT AGREEMENT

The Village of Lewisburg entered into a Community Reinvestment Area (CRA). Under this agreement, the School District’s and Village of Lewisburg’s property taxes were reduced by a combined total of \$186,811.

NOTE 23 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

Litigation

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

Tri-County North Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 24 – 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 may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plan in which the School District participates have incurred 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, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Required Supplementary Information

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.03486740%	0.03421840%	0.03407350%
School District's Proportionate Share of the Net Pension Liability	\$2,086,178	\$1,959,752	\$2,035,815
School District's Covered Payroll	\$1,161,296	\$1,148,896	\$1,125,114
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.64%	170.58%	180.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03608310%	0.03649010%	0.03854500%	0.03854500%
\$2,640,951	\$2,082,159	\$1,950,741	\$2,292,147
\$1,120,607	\$1,098,543	\$979,183	\$955,122
235.67%	189.54%	199.22%	239.98%
62.98%	69.16%	71.70%	65.52%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Proportion of the Net OPEB Liability	0.03536280%	0.03440740%	0.03431660%	0.03634800%
School District's Proportionate Share of the Net OPEB Liability	\$889,301	\$954,554	\$920,967	\$1,036,052
School District's Covered Payroll	\$1,161,296	\$1,148,896	\$1,125,114	\$1,120,607
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.58%	83.08%	81.86%	92.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

This Page Intentionally Left Blank

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.03709428%	0.03709665%	0.03699565%
School District's Proportionate Share of the Net Pension Liability	\$8,203,176	\$8,156,721	\$8,788,396
School District's Covered Payroll	\$4,446,300	\$4,268,814	\$4,030,900
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	184.49%	191.08%	218.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.03619679%	0.03520776%	0.03772063%	0.03772060%
\$12,116,157	\$9,730,395	\$9,174,962	\$10,929,155
\$3,825,257	\$3,632,729	\$3,801,836	\$4,104,900
316.74%	267.85%	241.33%	266.25%
66.80%	72.10%	74.70%	69.30%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.03709428%	0.03709665%	0.03699565%	0.03619679%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$614,369)	(\$596,106)	\$1,443,434	\$1,935,814
School District's Covered Payroll	\$4,446,300	\$4,268,814	\$4,030,900	\$3,825,257
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-13.82%	-13.96%	35.81%	50.61%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

This Page Intentionally Left Blank

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

Net Pension Liability	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$164,907	\$156,775	\$155,101	\$157,516
Contributions in Relation to the Contractually Required Contribution	<u>(164,907)</u>	<u>(156,775)</u>	<u>(155,101)</u>	<u>(157,516)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$1,177,907	\$1,161,296	\$1,148,896	\$1,125,114
Contributions as a Percentage of Covered Payroll	14.00%	13.50%	13.50%	14.00%
Net OPEB Liability				
Contractually Required Contribution (2)	16,602	25,659	22,968	17,500
Contributions in Relation to the Contractually Required Contribution	<u>(16,602)</u>	<u>(25,659)</u>	<u>(22,968)</u>	<u>(17,500)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>1.41%</u>	<u>2.21%</u>	<u>2.00%</u>	<u>1.56%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.41%</u>	<u>15.71%</u>	<u>15.50%</u>	<u>15.56%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$156,885	\$144,788	\$135,715	\$132,189	\$156,959	\$59,930
(156,885)	(144,788)	(135,715)	(132,189)	(156,959)	(59,930)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,120,607	\$1,098,543	\$979,183	\$955,122	\$1,166,984	\$476,774
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
17,456	27,431	20,519	21,473	24,375	26,400
(17,456)	(27,431)	(20,519)	(21,473)	(24,375)	(26,400)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.56%</u>	<u>2.50%</u>	<u>2.10%</u>	<u>2.25%</u>	<u>2.09%</u>	<u>5.54%</u>
<u>15.56%</u>	<u>15.68%</u>	<u>15.96%</u>	<u>16.09%</u>	<u>15.54%</u>	<u>18.11%</u>

Tri-County North Local School District
 Required Supplementary Information
 Schedule of the School District's Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

Net Pension Liability	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$633,754	\$622,482	\$597,634	\$564,326
Contributions in Relation to the Contractually Required Contribution	<u>(633,754)</u>	<u>(622,482)</u>	<u>(597,634)</u>	<u>(564,326)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$4,526,814	\$4,446,300	\$4,268,814	\$4,030,900
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$535,536	\$508,582	\$494,239	\$533,637	\$596,059	\$611,984
<u>(535,536)</u>	<u>(508,582)</u>	<u>(494,239)</u>	<u>(533,637)</u>	<u>(596,059)</u>	<u>(611,984)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,825,257	\$3,632,729	\$3,801,836	\$4,104,900	\$4,585,069	\$4,707,569
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$0	\$38,078	\$41,049	\$45,851	\$47,076
<u>0</u>	<u>0</u>	<u>(38,078)</u>	<u>(41,049)</u>	<u>(45,851)</u>	<u>(47,076)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

This page intentionally left blank.

Tri-County North Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

NET PENSION LIABILITY

Changes in Assumptions – SERS

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

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

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

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

Changes in Assumptions - STRS

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

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

Tri-County North Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

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

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

NET OPEB LIABILITY

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

Tri-County North Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

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

Changes in Benefit Terms – STRS OPEB

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

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

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

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Tri-County North Local School District
Preble County
436 North Commerce Street
Lewisburg, Ohio 45338

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Tri-County North Local School District, Preble County, (the District) as of and for the fiscal 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 February 18, 2021. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of 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) to determine the 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 determination of financial statement amounts. 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

February 18, 2021

OHIO AUDITOR OF STATE KEITH FABER



TRI-COUNTY NORTH LOCAL SCHOOL DISTRICT

PREBLE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/11/2021

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