

**FAIRLAWN LOCAL  
SCHOOL DISTRICT  
SHELBY COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE BIENNIAL FISCAL YEARS  
ENDED JUNE 30, 2022 AND JUNE 30, 2021**

***Zupka & Associates***  
Certified Public Accountants



# OHIO AUDITOR OF STATE KEITH FABER



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Board of Education  
Fairlawn Local School District  
18800 Johnston Road  
Sidney, Ohio 45365

We have reviewed the *Independent Auditor's Report* of the Fairlawn Local School District, Shelby County, prepared by Zupka & Associates, for the audit period July 1, 2020 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fairlawn Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

February 03, 2023

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**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
AUDIT REPORT  
FOR THE BIENNIAL FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021**

---

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| <b>Single Audit Report for the Fiscal Year ended June 30, 2022:</b>   |             |
| Independent Auditor’s Report  | 1-3         |
| Statement of Net Position – Cash Basis  | 5           |
| Statement of Activities – Cash Basis  | 6           |
| Statement of Assets and Fund Balances – Cash Basis - Governmental Funds   | 7           |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds   | 8           |
| Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund   | 9           |
| Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds  | 10          |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds   | 11          |
| Notes to the Basic Financial Statements   | 12-41       |
| Schedule of Expenditures of Federal Awards  | 42          |
| Notes to the Schedule of Expenditures of Federal Awards   | 43          |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 44-45       |
| Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance  | 46-48       |
| Schedule of Findings and Questioned Costs   | 49-50       |
| Schedule of Prior Audit Findings and Recommendations  | 51          |

**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
AUDIT REPORT  
FOR THE BIENNIAL FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021**

---

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| <b>Audit Report for the Fiscal Year ended June 30, 2021:</b>  |             |
| Independent Auditor’s Report  | 1-3         |
| Statement of Net Position – Cash Basis  | 5           |
| Statement of Activities – Cash Basis  | 6           |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds   | 7           |
| Statement of Cash Receipts, Disbursements and Changes in Fund Balances –<br>Cash Basis - Governmental Funds   | 8           |
| Statement of Receipts, Disbursements and Changes in Fund Balances –<br>Budget and Actual (Budget Basis) – General Fund  | 9           |
| Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds  | 10          |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds   | 11          |
| Notes to the Basic Financial Statements   | 12-40       |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit Performed in Accordance<br>with <i>Government Auditing Standards</i> | 41-42       |
| Schedule of Findings and Responses  | 43          |
| Schedule of Prior Audit Findings and Recommendations  | 44          |

**FAIRLAWN LOCAL  
SCHOOL DISTRICT  
SHELBY COUNTY, OHIO**

**SINGLE AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2022**

***Zupka & Associates***  
**Certified Public Accountants**

**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SINGLE AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

---

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report  | 1-3         |
| Statement of Net Position – Cash Basis  | 5           |
| Statement of Activities – Cash Basis  | 6           |
| Statement of Assets and Fund Balances – Cash Basis - Governmental Funds   | 7           |
| Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis -<br>Governmental Funds  | 8           |
| Statement of Receipts, Disbursements, and Changes in Fund Balance -<br>Budget and Actual (Budget Basis) - General Fund  | 9           |
| Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds  | 10          |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds   | 11          |
| Notes to the Basic Financial Statements   | 12-41       |
| Schedule of Expenditures of Federal Awards  | 42          |
| Notes to the Schedule of Expenditures of Federal Awards   | 43          |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 44-45       |
| Independent Auditor's Report on Compliance for Each Major Federal Program<br>and on Internal Control over Compliance Required by the Uniform Guidance   | 46-48       |
| Schedule of Findings and Questioned Costs   | 49-50       |
| Schedule of Prior Audit Findings and Recommendations  | 51          |



## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Fairlawn Local School District  
Sidney, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

### **Report on the Financial Statements**

#### *Opinions*

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairlawn Local School District, Shelby County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairlawn Local School District as of June 30, 2022, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting described in Note 2.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

Ohio Administrative Code 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Zupka & Associates  
Certified Public Accountants

December 27, 2022

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**Fairlawn Local School District**  
*Statement of Net Position-Cash Basis*  
*June 30, 2022*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>  |                                    |
| Equity in Pooled Cash, Cash Equivalents, and Investments | <u>\$10,121,884</u>                |
| <i>Total Assets</i>                                      | <u><u>\$10,121,884</u></u>         |
| <br>   |                                    |
| <b>Net Position</b>                                      |                                    |
| Restricted for:  |                                    |
| Debt Service   | 972,957                            |
| Other Purposes   | 1,557,966                          |
| Unrestricted (Deficit)                                   | <u>7,590,961</u>                   |
| <i>Total Net Position</i>                                | <u><u>\$10,121,884</u></u>         |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2022

|                                      | Expenses         | Program Revenues  |  | Net (Expense) Revenue<br>and Changes in Net Position |
|--------------------------------------|------------------|---|--|--|
|                                      |                  | Charges for<br>Services and Sales                           | Operating Grants,<br>Contributions<br>and Interest | Governmental<br>Activities                           |
| <b>Governmental Activities</b>       |                  |   |  |  |
| Instruction:                         |                  |   |  |  |
| Regular                              | \$ 3,054,681     | \$ 51,042   | \$ 213,994   | \$ (2,789,645)                                       |
| Special                              | 834,663          | 338,503   | 199,611  | (296,549)  |
| Adult/Continuing                     | 60               |   |  | (60)   |
| Support Services:                    |                  |   |  |  |
| Pupil                                | 418,878          |   | 40,714   | (378,164)  |
| Instructional Staff                  | 257,405          |   | 224  | (257,181)  |
| Board of Education                   | 10,041           |   | 28,338   | 18,297   |
| Administration                       | 647,314          |   |  | (647,314)  |
| Fiscal                               | 291,120          |   |  | (291,120)  |
| Operation and Maintenance of Plant   | 839,953          |   | 10,286   | (829,667)  |
| Pupil Transportation                 | 469,114          |   | 403,323  | (65,791)   |
| Operation of Non-Instructional       | 319,657          | 35,342  | 400,253  | 115,938  |
| Extracurricular Activities           | 433,235          | 258,988   |  | (174,247)  |
| Debt Service                         |                  |   |  |  |
| Principal                            | 185,000          |   |  | (185,000)  |
| Interest and Fiscal Charges          | 143,825          |   |  | (143,825)  |
| <i>Total Governmental Activities</i> | <u>7,904,946</u> | <u>683,875</u>  | <u>1,296,743</u>                                   | <u>(5,924,328)</u>                                   |
|                                      |                  | <b>General Revenues</b>                                     |  |  |
|                                      |                  | Property Taxes Levied for:                                  |  |  |
|                                      |                  | General Purposes  |  | 1,414,331  |
|                                      |                  | Debt Service  |  | 293,666  |
|                                      |                  | Income Taxes Levied for:                                    |  |  |
|                                      |                  | General Purposes  |  | 463,896  |
|                                      |                  | Grants and Entitlements not Restricted to Specific Programs |  | 4,889,156  |
|                                      |                  | Investment Earnings   |  | 46,539   |
|                                      |                  | Miscellaneous   |  | 51,928   |
|                                      |                  | <i>Total General Revenues</i>                               |  | <u>7,159,516</u>                                     |
|                                      |                  | Change in Net Position                                      |  | 1,235,188  |
|                                      |                  | <i>Net Position Beginning of Year</i>                       |  | <u>8,886,696</u>                                     |
|                                      |                  | <i>Net Position End of Year</i>                             |  | <u>\$ 10,121,884</u>                                 |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
**Governmental Funds**  
*June 30, 2022*

|   | <b>General</b>   | <b>Bond<br/>Retirement</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|------------------|----------------------------|---|---|
| <b>Assets</b>   |                  |                            |   |   |
| Equity in Pooled Cash, Cash<br>Equivalents, and Investments | \$7,590,961      | \$972,957                  | \$1,557,966                             | \$10,121,884                            |
| <i>Total Assets</i>   | <u>7,590,961</u> | <u>972,957</u>             | <u>1,557,966</u>                        | <u>10,121,884</u>                       |
| <b>Fund Balances</b>  |                  |                            |   |   |
| Restricted  |                  | 972,957                    | 1,467,338                               | 2,440,295                               |
| Committed   | 47,076           |                            |   | 47,076                                  |
| Assigned  | 257,608          |                            | 96,128                                  | 353,736                                 |
| Unassigned (deficit)  | 7,286,277        | -                          | (5,500)                                 | 7,280,777                               |
| <i>Total Fund Balances (Deficits)</i>                       | <u>7,590,961</u> | <u>972,957</u>             | <u>1,557,966</u>                        | <u>10,121,884</u>                       |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Cash Receipts, Disbursements, and Changes  
in Fund Balances - Cash Basis - Governmental Funds  
For the Fiscal Year Ended June 30, 2022*

|   | General                   | Bond Retirement         | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                           |                         |                                |                                |
| Taxes   | \$1,860,727               | \$293,666               | 17,500                         | \$2,171,893                    |
| Intergovernmental                                       | 4,888,505                 | 38,711                  | 1,258,683                      | 6,185,899                      |
| Interest  | 46,486                    | 0                       | 53                             | 46,539                         |
| Tuition and Fees  | 389,545                   | 0                       | 0                              | 389,545                        |
| Extracurricular Activities                              | 0                         | 0                       | 258,988                        | 258,988                        |
| Charges for Services                                    | 0                         | 0                       | 35,342                         | 35,342                         |
| Miscellaneous   | 28,031                    | 0                       | 23,897                         | 51,928                         |
| <i>Total Revenues</i>                                   | <u>7,213,294</u>          | <u>332,377</u>          | <u>1,594,463</u>               | <u>9,140,134</u>               |
| <b>Expenditures</b>                                     |                           |                         |                                |                                |
| Current:  |                           |                         |                                |                                |
| Instruction:  |                           |                         |                                |                                |
| Regular   | 2,439,625                 | 0                       | 615,056                        | 3,054,681                      |
| Special   | 684,904                   | 0                       | 149,759                        | 834,663                        |
| Adult/Continuing  | 60                        | 0                       | 0                              | 60                             |
| Support Services:                                       |                           |                         |                                |                                |
| Pupil   | 283,899                   | 0                       | 134,979                        | 418,878                        |
| Instructional Staff                                     | 240,809                   | 0                       | 16,596                         | 257,405                        |
| Board of Education                                      | 10,041                    | 0                       | 0                              | 10,041                         |
| Administration  | 612,143                   | 6,833                   | 28,338                         | 647,314                        |
| Fiscal  | 291,120                   | 0                       | 0                              | 291,120                        |
| Operation and Maintenance of Plant                      | 839,746                   | 0                       | 207                            | 839,953                        |
| Pupil Transportation                                    | 469,114                   | 0                       | 0                              | 469,114                        |
| Operation of Non-Instructional Services                 | 0                         | 0                       | 319,657                        | 319,657                        |
| Extracurricular Activities                              | 194,820                   | 0                       | 238,415                        | 433,235                        |
| Debt Service:   |                           |                         |                                |                                |
| Principal Retirement                                    | 0                         | 185,000                 | 0                              | 185,000                        |
| Interest and Fiscal Charges                             | 0                         | 143,825                 | 0                              | 143,825                        |
| <i>Total Expenditures</i>                               | <u>6,066,281</u>          | <u>335,658</u>          | <u>1,503,007</u>               | <u>7,904,946</u>               |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | <u>1,147,013</u>          | <u>(3,281)</u>          | <u>91,456</u>                  | <u>1,235,188</u>               |
| <b>Other Financing Sources (Uses)</b>                   |                           |                         |                                |                                |
| Transfers In  | 0                         | 0                       | 20,000                         | 20,000                         |
| Transfer Out  | (20,000)                  | 0                       | 0                              | (20,000)                       |
| <i>Total Other Financing Sources (Uses)</i>             | <u>(20,000)</u>           | <u>0</u>                | <u>20,000</u>                  | <u>0</u>                       |
| <i>Net Change in Fund Balances</i>                      | 1,127,013                 | (3,281)                 | 111,456                        | 1,235,188                      |
| <i>Fund Balances (Deficits) Beginning<br/>of Year</i>   | <u>6,463,948</u>          | <u>976,238</u>          | <u>1,446,510</u>               | <u>8,886,696</u>               |
| <i>Fund Balances (Deficits) End of Year</i>             | <u><u>\$7,590,961</u></u> | <u><u>\$972,957</u></u> | <u><u>\$1,557,966</u></u>      | <u><u>\$10,121,884</u></u>     |

See accompanying notes to the basic financial statements



**Fairlawn Local School District**  
*Statement of Receipts, Disbursements, and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2022*

|   | Budgeted Amounts   |                    | Actual             | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|--------------------|--------------------|---|
|   | Original           | Final              |                    |   |
| <b>Revenues</b>                                     |                    |                    |                    |   |
| Taxes   | \$1,800,000        | \$1,800,000        | \$1,860,727        | \$60,727  |
| Intergovernmental                                   | 4,608,428          | \$4,608,428        | \$4,888,505        | 280,077   |
| Interest  | 45,000             | \$45,000           | \$46,486           | 1,486   |
| Tuition and Fees                                    | 360,000            | \$360,000          | \$389,545          | 29,545  |
| Miscellaneous                                       | 25,000             | \$25,000           | \$28,031           | 3,031   |
| <i>Total Revenues</i>                               | <u>6,838,428</u>   | <u>6,838,428</u>   | <u>7,213,294</u>   | <u>374,866</u>  |
| <b>Expenditures</b>                                 |                    |                    |                    |   |
| Current:  |                    |                    |                    |   |
| Instruction:  |                    |                    |                    |   |
| Regular   | 2,614,228          | 2,614,228          | 2,483,213          | 131,015   |
| Special   | 780,000            | 780,000            | 684,984            | 95,016  |
| Adult/Continuing                                    | 60                 | 60                 | 60                 | 0   |
| Support Services:                                   |                    |                    |                    |   |
| Pupils  | 300,000            | 300,000            | 283,899            | 16,101  |
| Instructional Staff                                 | 300,000            | 300,000            | 262,456            | 37,544  |
| Board of Education                                  | 15,000             | 15,000             | 10,459             | 4,541   |
| Administration                                      | 700,000            | 700,000            | 618,095            | 81,905  |
| Fiscal  | 320,000            | 320,000            | 295,660            | 24,340  |
| Operation and Maintenance of Plant                  | 900,000            | 900,000            | 874,628            | 25,372  |
| Pupil Transportation                                | 580,000            | 580,000            | 570,268            | 9,732   |
| Extracurricular Activities                          | 250,000            | 250,000            | 195,495            | 54,505  |
| Capital Outlay                                      | 0                  | 45,000             | 44,672             | 328   |
| <i>Total Expenditures</i>                           | <u>6,759,288</u>   | <u>6,804,288</u>   | <u>6,323,889</u>   | <u>480,399</u>  |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>79,140</u>      | <u>34,140</u>      | <u>889,405</u>     | <u>855,265</u>  |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                    |   |
| Transfers Out                                       | 20,000             | 20,000             | 20,000             | 0   |
| <i>Total Other Financing Sources (Uses)</i>         | <u>20,000</u>      | <u>20,000</u>      | <u>20,000</u>      | <u>0</u>  |
| <i>Net Change in Fund Balance</i>                   | 99,140             | 54,140             | 909,405            | 855,265   |
| <i>Fund Balance Beginning of Year</i>               | 6,414,147          | 6,414,147          | 6,414,147          | 0   |
| Prior Year Encumbrances Appropriated                | 100,712            | 100,712            | 100,712            | 0   |
| <i>Fund Balance End of Year</i>                     | <u>\$6,613,999</u> | <u>\$6,568,999</u> | <u>\$7,424,264</u> | <u>\$855,265</u>  |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2022*

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|  | <u>Agency</u>       |
|--|---------------------|
| <b>Assets</b>  |                     |
| Equity in Pooled Cash, Cash Equivalents, and Investments | <u>\$400</u>        |
| <b>Net Position</b>                                      |                     |
| Held in Trust for Scholarships                           | <u>\$400</u>        |
| <i>Total Net Position</i>                                | <u><u>\$400</u></u> |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2022*

|                                       | Private Purpose<br>Trust |
|---------------------------------------|--------------------------|
|                                       | Scholarship              |
| <b>Additions</b>                      |                          |
| Gifts and Donation                    | \$400                    |
| <b>Deductions</b>                     |                          |
| Noninstructional Services             | 500                      |
| <i>Change in Net Position</i>         | <i>(100)</i>             |
| <i>Net Position Beginning of Year</i> | 500                      |
| <i>Net Position End of Year</i>       | \$400                    |

See accompanying notes to the basic financial statements

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established in 1953. The District serves an area of approximately 58 square miles. It is located in Shelby County, including all of Green and Perry Townships, and portions of Salem Township. The District is the 530th smallest in the State of Ohio (among 612 Districts) in terms of enrollment. This Board controls the District's one instructional/support facility staffed by 37 non-certificated employees, 35 certificated full time teaching personnel and 3 administrative employees to provide services to 550 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 insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Fairlawn Local School District, this includes general operations, food service, and student related activities of the District.

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

The District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Council (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and West Central Ohio Special Education Regional Resource Center (SERRC), jointly governed organizations. The District is also associated with the Sheakley Workers’ Compensation Group Rating Plan, SOEPC Insurance Program and the Shelby County Schools health insurance Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 13 and 14 to the cash basis financial statements.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as cash assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the end of the fiscal year.

**A. Fund Accounting**

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

**Governmental:** The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

**General Fund:** The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**Bond Retirement Fund:** The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal and interest.

**Fiduciary Funds:** Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets the District holds under trust agreements for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a college scholarship program.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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 District as a whole, except for fiduciary funds. The statement of activities eliminates internal service fund activity to avoid reporting those transactions twice. The statement reports governmental activities separately from business-type activities. The District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year-end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

**C. Cash, Cash Equivalents and Investments**

The District deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents and investments on the financial statements.

The District values investments and cash equivalents at cost. For presentation on the financial statements, the District classifies investments of the cash management pool as cash and cash equivalents and investments. Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2022 was \$46,486 including \$11,584 assigned from other District funds.

**D. Restricted Assets**

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for capital improvements. See Note 11 for additional information regarding these set-asides. There are no restricted assets at June 30, 2022.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**H. Long-term Obligations**

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**I. Fund Balance**

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

**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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 District Board of Education.

**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 resulting from overspending for specific purposes for which amounts had been restricted

**J. Net Position**

The statements report restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**K. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. During fiscal year 2019, the District did not advance funds to any other fund.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the District's control that are either unusual in nature or infrequent in occurrence.

**M. Budgetary Data**

Ohio law requires the District to budget and appropriate all funds, other than agency funds. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The District uses the object level within the General Fund and Fund level for all other funds.



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Budgetary Data (Continued)**

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**N. Pensions**

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

**3. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**4. PROPERTY AND INCOME TAXES**

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**4. PROPERTY AND INCOME TAXES (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2022 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed values as of January 1, 2021, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 taxes. Public utility real and personal property taxes received in calendar year 2022 became a lien on December 31, 2021, were levied after April 1, 2021, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Shelby County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2022 taxes were collected are:

|  | 2020 second - Half Collections |         | 2021 first- Half Collections |         |
|--|--------------------------------|---------|------------------------------|---------|
|  | Amount                         | Percent | Amount                       | Percent |
| Agricultural/ Residential<br>and Other Real Estate | \$ 54,948,830                  | 91.00%  | 54,948,830                   | 89.10%  |
| Public Utility Personal                            | 6,407,430                      | 9.00    | 6,664,140                    | 10.90   |
| Total  | \$ 61,356,260                  | 100.00% | \$ 61,612,970                | 100.00% |
| Tax rate per \$1,000 of<br>assessed valuation      | \$31.44                        |         | \$31.44                      |         |

The District levies a voted income tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund and Classroom Facilities Maintenance Fund.

**5. INTERFUND TRANSFERS**

Inter-fund cash transfers for the year ended June 30, 2022 were as follows:

| Transfer from | Transfer to   | Amount    |
|---------------|---------------|-----------|
| General Fund  | Athletic Fund | \$ 20,000 |

The transfer from the General Fund to the Athletic fund was for operating purposes.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**6. DEPOSITS AND INVESTMENTS**

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
7. Certain bankers' acceptances and commercial paper notes;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific District obligation or debt and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Un-deposited Cash:** At year-end, the District's had \$100 in un-deposited cash on hand, included as part of *Equity in pooled cash and cash equivalents and investments*.

**Deposits:** At year-end, the carrying amount of the District's deposits was \$7,372,384 and the bank balance was \$7,494,326. Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2022, \$769,537 of the bank balance was covered by federal depository insurance. However, based on the criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, the District's remaining bank balance of \$6,724,789 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments:** As of June 30, 2022 the District had various investments – Federal Farm Credit with carrying value of \$999,800 maturing on May 16, 2024. The District also owns Godman Sachs Bank, Sallie Mae, Capital One National Bank, Salt Lake City Bank, Synchrony Bank, and Barclay Bank Certificates of Deposit each for \$250,000 and each are covered entirely by FDIC. Total District investments are \$2,749,800.

The District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within five years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**7. RISK MANAGEMENT**

**A. Commercial Insurance**

The 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 2008, the District joined a self-insurance pool through the Southwest Ohio EPC for the following insurance coverage:

Coverage provided by various companies.

|   |               |
|---|---------------|
| Buildings and Contents – replacement cost | \$ 24,500,000 |
| General Liability - Per Occurrence        | 5,000,000     |
| General Liability –Aggregate              | 8,000,000     |
| Automobile Liability                      | 5,000,000     |
| Uninsured Motorists                       | 8,000,000     |

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

**B. Workers' Compensation**

For fiscal year 2022, the District participated in the Sheakley Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 14). The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

The school districts apply for participation each year. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays \$350 enrollment fee to the Plan to cover the costs of administering the program.

**C. Employee Medical Benefits**

The District participates in the Shelby County Schools Consortium, a group purchasing pool (Note 14) consisting of six district thereafter. The District is self-insured. Self-insurance plan is administered by Jefferson Health plan and Self Funded Plan, Inc. The District pays monthly premium to Sun Life for life insurance benefits.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

Age and service requirements for retirement are as follows:

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

Five years after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2022, the allocation to pension, death benefits, and Medicare B was 14 percent.

The District’s contractually required contribution to SERS was \$210,792 for fiscal year 2022.

***Plan Description - State Teachers Retirement System (STRS)***

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Plan Description - State Teachers Retirement System (STRS) – (continued)*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Plan Description - State Teachers Retirement System (STRS) – (continued)*

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 statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$368,568 for fiscal year 2022.

*Net Pension Liability*

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

|  | SERS        | STRS        | TOTAL       |
|--|-------------|-------------|-------------|
| Proportionate Share of the Net Pension Liability | \$1,348,622 | \$2,493,195 | \$3,841,817 |
| Proportion of the Net Pension Liability          | .0365509%   | .019499568% |             |

*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.



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

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, 2021, are presented below:

|  |                                  |
|--|----------------------------------|
| Wage inflation                               | 2.40%                            |
| Future Salary Increases, including inflation | 3.25% - 13.58%                   |
| COLA Or Ad Hoc COLA                          | 2.50%                            |
| Investment Rate of Return                    | 7.00% net of investment expenses |
| Actuarial Cost Method                        | Entry Age Normal                 |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2020.

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

| <u>Asset Class</u>      | <u>Target<br/>Allocation</u> | <u>Long Term Expeted<br/>Real Rate of Return</u> |
|-------------------------|------------------------------|--|
| Cash                    | 2.00%                        | (.33)%   |
| US Stocks               | 24.75                        | 5.72   |
| Non-US equity           | 20.25                        | 15.09  |
| Fixed Income            | 19.00                        | 1.14   |
| Private Equity          | 11.00                        | 10.03  |
| Real Estate/Real Assets | 16.00                        | 5.41   |
| Multi-Asset Strategies  | 4.00                         | 3.47   |
| Private Debt/Credit     | <u>3.00</u>                  | 5.28   |
| <br>Total               | <br>100.00%                  |  |

**Discount Rate** The total pension liability was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the 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 7.00 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 (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

|  | 1% Decrease<br>(6.00%) | Current<br>Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|--|------------------------|-------------------------------------|------------------------|
| District’s proportionate share<br>of the net pension liability | \$2,243,776            | \$1,348,622                         | \$593,700              |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |   |
|----------------------------|---|
| Inflation                  | 2.50%   |
| Salary increase            | 12.50% at age 20 to 2.50% at age 65                   |
| Payroll increases          | 3.00%   |
| Investment rate of return  | 7.00% net of investment expenses, including inflation |
| Discount rate of return    | 7.00%   |
| Cost of Living adjustments | 0%  |

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

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study, effective July 1, 2018.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

|  | Current<br>1% Decrease<br>(6.00%) | Discount Rate<br>(7.00%) | 1% Increase<br>(8.00%) |
|--|-----------------------------------|--------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$4,668,821                       | \$ 2,493,195             | \$654,795              |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS**

**A. Net OPEB Liability/Asset (continued)**

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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

**B. School Employees Retirement System (SERS)**

*Plan Description* - 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](http://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.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

**B. School Employees Retirement System (SERS) (continued)**

*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 2022, there was no contribution made to health care. A 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 2022, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$20,875 for fiscal year 2022.

**C. State Teachers Retirement System (STRS)**

*Plan Description* – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

*Funding Policy* – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

**D. Net OPEB Liability/Asset**

The net OPEB liability and net OPEB asset were measured as of June 30, 2021, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability and net OPEB asset were 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:

|                                       | SERS      | STRS        | TOTAL     |
|---------------------------------------|-----------|-------------|-----------|
| Proportion of the Net OPEB Liability: |           |             |           |
| Current Measurement Date              | .0374096% | .0194996%   |           |
| Proportionate Share of the:           |           |             |           |
| Net OPEB Liability                    | \$715,510 | (\$411,000) | \$304,510 |

***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.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

|   |   |
|---|---|
| Wage Inflation  | 2.40 percent  |
| Future Salary Increases, including inflation  | 3.25 percent to 13.58 percent                                   |
| Investment Rate of Return   | 7.00 percent net of investments<br>expense, including inflation |
| Municipal Bond Index Rate:  |   |
| Measurement Date  | 1.92 percent  |
| Prior Measurement Date  | 2.45 percent  |
| Single Equivalent Interest Rate, net of plan investment expense,<br>including price inflation |   |
| Measurement Date  | 2.27 percent  |
| Prior Measurement Date  | 2.63 percent  |
| Medical Trend Assumption  |   |
| Medicare  | 5.15 to 4.40 percent  |
| Pre-Medicare  | 5.125 to 4.40 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, 2020. 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 2.00 %               | (0.33) %                                  |
| US Stocks              | 24.75                | 5.72                                      |
| Non-US Stocks          | 20.25                | 6.55-8.54                                 |
| Fixed Income           | 19.00                | 1.14                                      |
| Private Equity         | 11.00                | 10.13                                     |
| Real Assets            | 16.00                | 5.41                                      |
| Multi-Asset Strategies | 7.00                 | 3.47-5.28                                 |
| Total                  | <u>100.00 %</u>      |   |

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

|  | 1% Decrease<br>(1.27%) | Current<br>Discount Rate<br>(2.27%) | 1% Increase<br>(3.27%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net OPEB liability | \$ 872,573             | \$ 715,510                          | \$ 596,258             |

**FAIRAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

|  | 1%Decrease<br>(6.00% decreasing<br>To 3.75%) | Current<br>Trend Rate<br>(7.00% decreasing<br>to 4.75%) | 1%Increase<br>(8.00% decreasing<br>to 5.75%) |
|--|--|---|--|
| School District’s proportionate share<br>Of the net OPEB liability | \$581,716                                    | \$ 715,510  | \$917,320                                    |

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

|                            |  |              |
|----------------------------|--|--------------|
| Projected salary increases | 12.50 percent at age 20 to<br>2.50 percent at age 65             |              |
| Investment Rate of Return  | 7.00 percent, net of investment<br>expenses, including inflation |              |
| Payroll Increases          | 3 percent  |              |
| Discount Rate of Return    | 7.00 percent   |              |
| Health Care Cost Trends    | Initial  | Ultimate     |
| Medical                    |  |              |
| Pre-Medicare               | 5.00 percent   | 4.00 percent |
| Medicare                   | -16.18%  | 4.00 percent |
| Prescription Drug          |  |              |
| Pre-Medicare               | 6.50 percent   |              |
| Medicare                   | 29.98%   | 4.00 percent |

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, 2021, 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:

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – STRS (continued)*

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

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**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 liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB liability 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<br>In Discount Rate<br>(6.00%) | Current Discount Rate<br>(7.00%) | 1% Increase<br>in Discount Rate<br>(8.00%) |
|--|--|----------------------------------|--|
| School District's Proportionate Share<br>Of the net OPEB asset | \$348,305                                  | \$411,000                        | \$467,046                                  |
|  | 1% Decrease                                | Current Trend Rate               | 1% Increase                                |
| School District Proportionate Share<br>Of the net OPEB asset   | \$467,045                                  | \$411,000                        | \$348,305                                  |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**10. CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2022 will not have a material adverse effect on the District.

**B. Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end.

**C. Litigation**

There are currently no matters in litigation with the District as defendant.

**11. SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 describes the change in the year-end set-aside amounts for capital acquisition.

|   |                    |
|---|--------------------|
| Balance June 30, 2021                   | \$ -               |
| Current Year Set Aside Requirement      | 105,694            |
| Qualifying Expenditures                 | <u>(105,694)</u>   |
| Set Aside Reserve Balance June 30, 2022 | <u><u>\$ -</u></u> |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**12. LONG TERM LIABILITIES**

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

| <b>School Improvement</b>          | <b>Principal<br/>Outstanding<br/>6/30/2021</b> | <b>Additions</b> | <b>Reductions</b> | <b>Principal<br/>Outstanding<br/>6/30/2022</b> | <b>Amount<br/>Due in<br/>One Year</b> |
|------------------------------------|--|------------------|-------------------|--|---------------------------------------|
| 2016 Refunding Term Bonds - 4%     | \$ 1,805,000                                   | \$ -             | \$ -              | \$ 1,805,000                                   | \$ -                                  |
| 2016 Refunding Serial Bonds 2 - 4% | \$ 1,920,000                                   | \$ -             | \$ 185,000        | \$ 1,735,000                                   | \$ 200,000                            |
|                                    | <u>\$ 3,725,000</u>                            | <u>\$ -</u>      | <u>\$ 185,000</u> | <u>\$ 3,540,000</u>                            | <u>\$ 200,000</u>                     |

On March 27, 2008, the District issued \$5,799,999 in voted general obligation bonds for the purpose of building a new K-12 school building. The bonds were issued for a twenty eight year period with final maturity at December 1, 2035. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,255,000, \$4,445,000, and \$100,000, respectively. The serial bonds were fully paid during fiscal year 2016. The term bonds were fully advance refunded during fiscal year 2016. The bonds were retired from the Bond Retirement Fund, with the proceeds of a 10.34 mil voted property tax.

On February 25, 2016, the District issued \$4,295,000 in general obligation bonds to advance refund the 2008 term bonds. Of these bonds, \$2,490,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2035 and maturity amounts that range from \$40,000 to \$295,000. The remaining bonds are term bonds with maturity dates of December 1, 2025 in the amount of \$630,000, December 1, 2032 in the amount of \$560,000, and December 1, 2034 in the amount of \$615,000.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result the refunded bonds are considered to be defeased.

The District's overall legal debt margin was \$5,545,167 with an energy conservation debt margin of \$554,517 and unvoted debt margin of \$61,613 at June 30, 2022.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**12. LONG TERM LIABILITIES (CONTINUED)**

Principal and interest requirements to retire the general obligation bonds are as follows:

| General Obligation Term/Serial Bonds |                     |                     |                     |
|--------------------------------------|---------------------|---------------------|---------------------|
| Year Ended                           | Principal           | Interest            | Total               |
| 2023                                 | 200,000             | 136,125             | 336,125             |
| 2024                                 | 200,000             | 128,125             | 328,125             |
| 2025                                 | 210,000             | 119,925             | 329,925             |
| 2026                                 | 220,000             | 111,325             | 331,325             |
| 2027                                 | 230,000             | 102,326             | 332,326             |
| 2028-2032                            | 1,285,000           | 320,162             | 1,605,162           |
| 2033-2036                            | 1,195,000           | 91,338              | 1,286,338           |
| Total                                | <u>\$ 3,540,000</u> | <u>\$ 1,009,326</u> | <u>\$ 4,549,326</u> |

The bonds will be retired from the Bond Retirement Fund, with the proceeds of a 10.34 mil voted property tax.

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization (WOCO)** - The District is a participant in the Western Ohio Computer Organization which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. 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 districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent.

WOCO is not accumulating significant financial resources nor is it experiencing financial stress that may cause an additional financial benefit or burden to the District. The District paid WOCO \$35,144 for services provided during the fiscal year 2022. Financial information can be obtained from Don Walls, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 150 Districts in 12 counties. The purpose of the cooperative 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. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain financial information, write the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institution. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

**West Central Ohio Special Education Regional Resource Center** - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer, at 1045 Dearbaugh Avenue, Suite 1, Wapakoneta, Ohio 45895.

**14. PURCHASING POOLS**

**Sheakely Workers' Compensation Group Rating Plan** - For fiscal year 2022, the District participated in the Sheakely Workers' Compensation Group Rating Plan, an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Sheakely Uniservice Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

**Shelby County Schools Consortium** - The Shelby County Schools Consortium is a group purchasing pool among seven local Districts until January 1, 2018. After January 1, 2018 the Consortium has six local Districts. This group purchasing pool formed a voluntary employee benefit association to provide health and dental coverage and life benefits to participants at a lower rate than if the individual districts acted independently. As of January 1, 2018, the Consortium is self-insured for health and dental coverage. The District using Self Funded Plans, Inc. to administrate the program. The Plan is governed by an administrative committee consisting of the superintendent from each participating district.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(Continued)**

**14. PURCHASING POOLS (CONTINUED)**

**Southwestern Ohio Educational Purchasing Council Insurance Program** – The District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program, a group purchasing pool among members of the Southwestern Ohio Educational Purchasing Council. A five member committee made up of member schools meet five to 6 times a year, has governing by-laws and is sanctioned by the Educational Purchasing Council Board. During fiscal year 2022, this program included 55 Districts with combined student enrollment of 92,588, and combined values of \$4,446,583,969. The group is governed by the Southwestern Ohio Educational Purchasing Council and is a self-insurance package which allows the Council to:

- Retain a portion of the predictable losses
- Transfer a portion of the catastrophic risk
- Broaden the districts insurance program coverages

The District paid \$38,603 to the group during fiscal year 2022 for Property and Casualty Insurance. JW Specialty Company is responsible for processing claims. Arthur J. Gallagher Risk Management Services, Inc is the sales and marketing representative, which establishes agreements between Southwest Ohio Educational Purchasing Council Insurance Program and member schools.

**15. FUND BALANCES**

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



| Fund Balances               | General             | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total                |
|-----------------------------|---------------------|--------------------|--------------------------------|----------------------|
| <b>Restricted for</b>       |                     |                    |                                |                      |
| Food Service Operations     | \$ -                | \$ -               | \$ 199,965                     | \$ 199,965           |
| Athletics                   | -                   | -                  | 30,973                         | 30,973               |
| Debt Service Payments       | -                   | 972,957            | -                              | 972,957              |
| Other Purposes              | -                   | -                  | 1,236,400                      | 1,236,400            |
| <i>Total Restricted</i>     | -                   | 972,957            | 1,467,338                      | 2,440,295            |
| <b>Committed to</b>         |                     |                    |                                |                      |
| Other Purposes              | 47,076              | -                  | -                              | 47,076               |
| <i>Total Committed</i>      | 47,076              | -                  | -                              | 47,076               |
| <b>Assigned to</b>          |                     |                    |                                |                      |
| Other Purposes              | 257,608             | -                  | 96,128                         | 353,736              |
| <b>Unassigned (Deficit)</b> | <u>7,286,277</u>    | <u>-</u>           | <u>(5,500)</u>                 | <u>7,280,777</u>     |
| <i>Total Fund Balances</i>  | <u>\$ 7,590,961</u> | <u>\$ 972,957</u>  | <u>\$ 1,557,966</u>            | <u>\$ 10,121,884</u> |

#### 16. RECLASSIFICATION OF FUND

In FY2022, the District reclassified Fund 200 from Agency to Special Revenue Funds – Other Governmental Funds.

|   |                |
|---|----------------|
| FY21 Other Governmental Funds ending balance              | \$1,285,465    |
| FY21 Agency Funds ending balance                          | <u>161,045</u> |
| FY21 Other Governmental Funds reclassified ending balance | \$1,446,010    |

**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

| <b>Federal Grantor/<br/>Pass-Through Grantor/<br/>Program or Cluster Title</b> | <b>Assistance<br/>Listing<br/>Number</b> | <b>Expenditures</b> | <b>Non-Cash<br/>Expenditures</b> |
|--|--|---------------------|----------------------------------|
| <b><u>U.S. Department of Agriculture</u></b>                                   |  |                     |                                  |
| <i>Passed through Ohio Department of Education</i>                             |  |                     |                                  |
| Child Nutrition Cluster:   |  |                     |                                  |
| School Breakfast Program   | 10.553                                   | \$ 93,421           | \$ 0                             |
| National School Lunch Program  | 10.555                                   | 209,513             | 24,747                           |
| COVID-19 - National School Lunch Program                                       | 10.555                                   | 16,316              | 0                                |
| Special School Milk Program for Children                                       | 10.556                                   | 871                 | 0                                |
| Total Child Nutrition Cluster  |  | <u>320,121</u>      | <u>24,747</u>                    |
| COVID-19 - Pandemic EBT Administrative Costs                                   | 10.649                                   | 614                 | 0                                |
| <b>Total U.S. Department of Agriculture</b>                                    |  | <u>320,735</u>      | <u>24,747</u>                    |
| <b><u>U.S. Department of Education</u></b>                                     |  |                     |                                  |
| <i>Passed through Ohio Department of Education</i>                             |  |                     |                                  |
| Title I - Grants to Local Educational Agencies                                 | 84.010                                   | <u>206,223</u>      | <u>0</u>                         |
| Special Education Cluster (IDEA):  |  |                     |                                  |
| Special Education - Grants to States   | 84.027                                   | 109,299             | 0                                |
| Special Education - Preschool Grants   | 84.173                                   | <u>532</u>          | <u>0</u>                         |
| Total Special Education Cluster  |  | <u>109,831</u>      | <u>0</u>                         |
| Improving Teacher Quality State Grants   | 84.367                                   | <u>14,081</u>       | <u>0</u>                         |
| Student Support and Academic Enrichment Program                                | 84.424                                   | <u>10,000</u>       | <u>0</u>                         |
| Education Stabilization Fund:  |  |                     |                                  |
| COVID-19 - Education Stabilization Fund - ESSER II                             | 84.425D                                  | 201,000             | 0                                |
| COVID-19 - Education Stabilization Fund -ARP ESSER                             | 84.425U                                  | <u>188,890</u>      | <u>0</u>                         |
| Total ALN #84.425  |  | <u>389,890</u>      | <u>0</u>                         |
| <b>Total U.S. Department of Education</b>                                      |  | <u>730,025</u>      | <u>0</u>                         |
| <b><u>U.S. Federal Communications Commission</u></b>                           |  |                     |                                  |
| <i>Direct Award</i>  |  |                     |                                  |
| Emergency Connectivity Fund Program  | 32.009                                   | <u>50,960</u>       | <u>0</u>                         |
| <b>Total U.S. Federal Communications Commission</b>                            |  | <u>50,960</u>       | <u>0</u>                         |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                    |  | <u>\$ 1,101,720</u> | <u>\$ 24,747</u>                 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**FAIRLAWN LOCALSCHOOL DISTRICT**  
**SHELBY COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Fairlawn Local School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fairlawn Local School District, it is not intended to and does not present the cash financial position and changes in cash financial position of the Fairlawn Local School District.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: INDIRECT COST RATE**

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

**NOTE 4: CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE 5: FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Fairlawn Local School District  
Sidney, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairlawn Local School District, Shelby County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2022, wherein we noted that the District uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

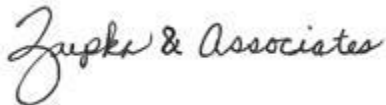
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2022-001**.

### **Southeastern Local School District Response to the Finding**

*Government Auditing Standards* requires the auditor of perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zupka & Associates  
Certified Public Accountants

December 27, 2022

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

Board of Education  
Fairlawn Local School District  
Sidney, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Fairlawn Local School District, Shelby County, Ohio's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Fairlawn Local School District, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

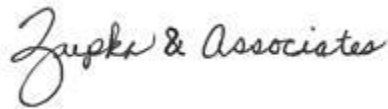
### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Zupka & Associates".

Zupka & Associates  
Certified Public Accountants

December 27, 2022



**FAIRLAWN LOCALSCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**1. SUMMARY OF AUDITOR'S RESULTS**

|            |  |   |
|------------|--|---|
| 2022(i)    | Type of Financial Statement Opinion  | Unmodified                              |
| 2022(ii)   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?  | No                                      |
| 2022(ii)   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?   | No                                      |
| 2022(iii)  | Was there any reported material noncompliance at the financial statement level (GAGAS)?  | Yes                                     |
| 2022(iv)   | Were there any material internal control weaknesses reported for major federal programs?   | No                                      |
| 2022(iv)   | Were there any significant deficiencies in internal control reported for major federal programs?   | No                                      |
| 2022(v)    | Type of Major Programs' Compliance Opinions  | Unmodified                              |
| 2022(vi)   | Are there any reportable findings under 2 CFR 200.516(a)?  | No                                      |
| 2022(vii)  | Major Programs (list):<br><br>Title I - Grants to Local Educational Agencies - ALN #84.010<br>Education Stabilization Fund - ESSER - ALN #84.425D and ALN #84.425U |   |
| 2022(viii) | Dollar Threshold: A/B Program  | Type A: \$750,000<br>Type B: All Others |
| 2022(ix)   | Low Risk Auditee?  | No                                      |

**FAIRLAWN LOCALSCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
UNIFORM GUIDANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022  
(CONTINUED)**

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

**Finding 2022-001 – Noncompliance Finding – Annual Financial Report**

Condition/Criteria

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements and notes following the cash basis of accounting. This is a comprehensive basis other than generally accepted accounting principles.

Effect

The accompanying financial statements and footnotes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time. Pursuant to the Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report within the required time limits.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

District Response

The Fairlawn Local School District's Board of Education continues to support their decision in processing the OCBOA Statements as a means to save time and money for the School District.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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The prior audit report, as of June 30, 2021, included a noncompliance finding.

| <u>Number</u> | <u>Finding Summary</u>                  | <u>Status</u> | <u>Additional Information</u> |
|---------------|---|---------------|-------------------------------|
| 2021-001      | Noncompliance - Annual Financial Report | Not Corrected | Repeated as Finding 2022-001  |

**FAIRLAWN LOCAL  
SCHOOL DISTRICT  
SHELBY COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR  
ENDED JUNE 30, 2021**

***Zupka & Associates***  
Certified Public Accountants

**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report  | 1-3         |
| Statement of Net Position – Cash Basis  | 5           |
| Statement of Activities – Cash Basis  | 6           |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds   | 7           |
| Statement of Cash Receipts, Disbursements and Changes in Fund Balances –<br>Cash Basis - Governmental Funds   | 8           |
| Statement of Receipts, Disbursements and Changes in Fund Balances –<br>Budget and Actual (Budget Basis) – General Fund  | 9           |
| Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds  | 10          |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Fiduciary Funds   | 11          |
| Notes to the Basic Financial Statements   | 12-40       |
| Independent Auditor's Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit Performed in Accordance<br>with <i>Government Auditing Standards</i> | 41-42       |
| Schedule of Findings and Responses  | 43          |
| Schedule of Prior Audit Findings and Recommendations  | 44          |

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Fairlawn Local School District  
Sidney, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

### **Report on the Financial Statements**

#### *Opinions*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairlawn Local School District as of June 30, 2021, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the cash basis of accounting described in Note 2.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

Ohio Administrative Code 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to these matters.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

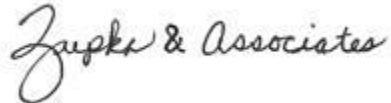
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Zupka & Associates  
Certified Public Accountants

December 27, 2022



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**Fairlawn Local School District**  
*Statement of Net Position-Cash Basis*  
*June 30, 2021*

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|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>  |                                    |
| Equity in Pooled Cash, Cash Equivalents, and Investments | <u>\$8,725,651</u>                 |
| <i>Total Assets</i>                                      | <u><u>\$8,725,651</u></u>          |
| <br>   |                                    |
| <b>Net Position</b>                                      |                                    |
| Restricted for:  |                                    |
| Debt Service   | 976,238                            |
| Other Purposes   | 1,360,154                          |
| Unrestricted (Deficit)                                   | <u>6,389,259</u>                   |
| <i>Total Net Position</i>                                | <u><u>\$8,725,651</u></u>          |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June 30, 2021

|                                      | Expenses         | Program Revenues                  |  | Net (Expense) Revenue<br>and Changes in Net Position |
|--------------------------------------|------------------|-----------------------------------|--|--|
|                                      |                  | Charges for<br>Services and Sales | Operating Grants,<br>Contributions<br>and Interest | Governmental<br>Activities                           |
| <b>Governmental Activities</b>       |                  |                                   |  |  |
| Instruction:                         |                  |                                   |  |  |
| Regular                              | \$ 2,847,899     | \$ 1,389,884                      | \$ 194,654   | \$ (1,263,361)                                       |
| Special                              | 823,095          | 279,497                           | 210,623  | (332,975)  |
| Support Services:                    |                  |                                   |  |  |
| Pupil                                | 304,888          |                                   | 145,692  | (159,196)  |
| Instructional Staff                  | 286,219          |                                   | 15,458   | (270,761)  |
| Board of Education                   | 9,199            |                                   |  | (9,199)  |
| Administration                       | 742,006          |                                   | 17,082   | (724,924)  |
| Fiscal                               | 310,160          |                                   |  | (310,160)  |
| Business                             | 1,145            |                                   |  | (1,145)  |
| Operation and Maintenance of Plant   | 791,170          |                                   | 28,377   | (762,793)  |
| Pupil Transportation                 | 672,965          |                                   | 32,662   | (640,303)  |
| Operation of Non-Instructional       | 256,809          | 43,218                            | 210,397  | (3,194)  |
| Extracurricular Activities           | 276,085          | 28,268                            |  | (247,817)  |
| Capital Outlay                       | 2,800            |                                   |  | (2,800)  |
| Debt Service                         |                  |                                   |  |  |
| Principal                            | 185,000          |                                   |  | (185,000)  |
| Interest and Fiscal Charges          | 150,300          |                                   | 39,626   | (110,674)  |
| <i>Total Governmental Activities</i> | <u>7,659,740</u> | <u>1,740,867</u>                  | <u>894,571</u>                                     | <u>(5,024,302)</u>                                   |
| <b>General Revenues</b>              |                  |                                   |  |  |
| Property Taxes Levied for:           |                  |                                   |  |  |
|                                      |                  |                                   |  | 1,410,450  |
|                                      |                  |                                   |  | 299,337  |
| Income Taxes Levied for:             |                  |                                   |  |  |
|                                      |                  |                                   |  | 421,214  |
|                                      |                  |                                   |  | 2,792,735  |
|                                      |                  |                                   |  | 94,249   |
|                                      |                  |                                   |  | 110,947  |
|                                      |                  |                                   |  | <u>5,128,932</u>                                     |
|                                      |                  |                                   |  | 104,630  |
|                                      |                  |                                   |  | <u>8,621,021</u>                                     |
|                                      |                  |                                   |  | <u>\$ 8,725,651</u>                                  |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2021*

|   | <b>General</b>     | <b>Bond<br/>Retirement</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|--------------------|----------------------------|---|---|
| <b>Assets</b>   |                    |                            |   |   |
| Equity in Pooled Cash, Cash<br>Equivalents, and Investments | \$6,463,948        | \$976,238                  | \$1,285,465                             | \$8,725,651                             |
| <i>Total Assets</i>   | <u>6,463,948</u>   | <u>976,238</u>             | <u>1,285,465</u>                        | <u>8,725,651</u>                        |
| <b>Fund Balances</b>  |                    |                            |   |   |
| Restricted  |                    | 976,238                    | 1,281,453                               | 2,257,691                               |
| Committed (fund 35)   | 47,076             |                            |   | 47,076                                  |
| Assigned (PO)   | 100,712            |                            | 19,194                                  | 119,906                                 |
| Unassigned (deficit)  | 6,316,160          |                            | (15,182)                                | 6,300,978                               |
| <i>Total Fund Balances (Deficits)</i>                       | <u>\$6,463,948</u> | <u>\$976,238</u>           | <u>\$1,285,465</u>                      | <u>\$8,725,651</u>                      |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Cash Receipts, Disbursements, and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

|   | General            | Bond Retirement  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   |                    |                  |                                |                                |
| Taxes   | \$1,814,164        | \$299,337        | 17,500                         | \$2,131,001                    |
| Intergovernmental                                       | 2,792,734          | 39,627           | 854,945                        | 3,687,306                      |
| Interest  | 94,099             | 0                | 150                            | 94,249                         |
| Tuition and Fees  | 1,669,381          | 0                |                                | 1,669,381                      |
| Extracurricular Activities                              | 0                  | 0                | 28,268                         | 28,268                         |
| Charges for Services                                    | 0                  | 0                | 43,218                         | 43,218                         |
| Miscellaneous   | 85,418             | 0                | 25,530                         | 110,948                        |
| <i>Total Revenues</i>                                   | <u>6,455,796</u>   | <u>338,964</u>   | <u>969,611</u>                 | <u>7,764,371</u>               |
| <b>Expenditures</b>                                     |                    |                  |                                |                                |
| Current:  |                    |                  |                                |                                |
| Instruction:  |                    |                  |                                |                                |
| Regular   | 2,644,337          | 0                | 203,562                        | 2,847,899                      |
| Special   | 618,608            | 0                | 204,487                        | 823,095                        |
| Support Services:                                       |                    |                  |                                |                                |
| Pupil   | 231,697            | 0                | 73,191                         | 304,888                        |
| Instructional Staff                                     | 256,654            | 0                | 29,565                         | 286,219                        |
| Board of Education                                      | 9,199              | 0                |                                | 9,199                          |
| Administration  | 724,924            | 0                | 17,082                         | 742,006                        |
| Fiscal  | 303,060            | 7,100            |                                | 310,160                        |
| Business  | 1,145              | 0                |                                | 1,145                          |
| Operation and Maintenance of Plant                      | 767,728            | 0                | 23,442                         | 791,170                        |
| Pupil Transportation                                    | 640,303            | 0                | 32,662                         | 672,965                        |
| Operation of Non-Instructional Services                 | 0                  | 0                | 256,809                        | 256,809                        |
| Extracurricular Activities                              | 233,847            | 0                | 42,238                         | 276,085                        |
| Capital Outlay  | 2,800              | 0                |                                | 2,800                          |
| Debt Service:   |                    |                  |                                |                                |
| Principal Retirement                                    | 0                  | 185,000          |                                | 185,000                        |
| Interest and Fiscal Charges                             | 0                  | 150,300          |                                | 150,300                        |
| <i>Total Expenditures</i>                               | <u>6,434,302</u>   | <u>342,400</u>   | <u>883,038</u>                 | <u>7,659,740</u>               |
| <i>Excess of Revenues Over<br/>(Under) Expenditures</i> | <u>21,494</u>      | <u>(3,436)</u>   | <u>86,573</u>                  | <u>104,631</u>                 |
| <b>Other Financing Sources (Uses)</b>                   |                    |                  |                                |                                |
| Transfers In  | 0                  | 0                | 40,000                         | 40,000                         |
| Transfer Out  | (40,000)           | 0                |                                | (40,000)                       |
| <i>Total Other Financing Sources (Uses)</i>             | <u>(40,000)</u>    | <u>0</u>         | <u>40,000</u>                  | <u>0</u>                       |
| <i>Net Change in Fund Balances</i>                      | (18,506)           | (3,436)          | 126,573                        | 104,631                        |
| <i>Fund Balances (Deficits) Beginning<br/>of Year</i>   | <u>6,482,454</u>   | <u>979,674</u>   | <u>1,158,892</u>               | <u>8,621,020</u>               |
| <i>Fund Balances (Deficits) End of Year</i>             | <u>\$6,463,948</u> | <u>\$976,238</u> | <u>\$1,285,465</u>             | <u>\$8,725,651</u>             |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Receipts, Disbursements, and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2021*

|   | Budgeted Amounts   |                    | Actual             | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|--------------------|--------------------|---|
|   | Original           | Final              |                    |   |
| <b>Revenues</b>                                     |                    |                    |                    |   |
| Taxes   | \$1,400,000        | \$1,400,000        | \$1,814,164        | \$414,164   |
| Intergovernmental                                   | 2,000,000          | \$2,000,000        | \$2,792,734        | 792,734   |
| Interest  | 50,000             | \$50,000           | \$94,099           | 44,099  |
| Tuition and Fees                                    | 600,000            | \$600,000          | \$1,669,381        | 1,069,381   |
| Miscellaneous                                       | 34,338             | \$34,338           | \$85,418           | 51,080  |
| <i>Total Revenues</i>                               | <u>4,084,338</u>   | <u>4,084,338</u>   | <u>6,455,796</u>   | <u>2,371,458</u>  |
| <b>Expenditures</b>                                 |                    |                    |                    |   |
| Current:  |                    |                    |                    |   |
| Instruction:  |                    |                    |                    |   |
| Regular   | 2,661,000          | 2,661,000          | 2,660,507          | 493   |
| Special   | 650,000            | 650,000            | 619,532            | 30,468  |
| Support Services:                                   |                    |                    |                    |   |
| Pupils  | 235,000            | 235,000            | 231,697            | 3,303   |
| Instructional Staff                                 | 260,000            | 260,000            | 259,149            | 851   |
| Board of Education                                  | 10,000             | 10,000             | 9,474              | 526   |
| Administration                                      | 685,000            | 750,000            | 724,999            | 25,001  |
| Fiscal  | 320,000            | 320,000            | 317,183            | 2,817   |
| Business  | 5,000              | 5,000              | 1,145              | 3,855   |
| Operation and Maintenance of Plant                  | 810,000            | 810,000            | 806,553            | 3,447   |
| Pupil Transportation                                | 545,276            | 674,276            | 640,588            | 33,688  |
| Extracurricular Activities                          | 250,000            | 250,000            | 244,387            | 5,613   |
| Capital Outlay                                      | 20,000             | 20,000             | 19,800             | 200   |
| <i>Total Expenditures</i>                           | <u>6,451,276</u>   | <u>6,645,276</u>   | <u>6,535,014</u>   | <u>110,262</u>  |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(2,366,938)</u> | <u>(2,560,938)</u> | <u>(79,218)</u>    | <u>2,481,720</u>  |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                    |   |
| Transfers Out                                       | (40,000)           | (40,000)           | (40,000)           | 0   |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(40,000)</u>    | <u>(40,000)</u>    | <u>(40,000)</u>    | <u>0</u>  |
| <i>Net Change in Fund Balance</i>                   | (2,406,938)        | (2,600,938)        | (119,218)          | 2,481,720   |
| <i>Fund Balance Beginning of Year</i>               | 6,339,915          | 6,339,915          | 6,339,915          | 0   |
| Prior Year Encumbrances Appropriated                | 193,450            | 193,450            | 193,450            | 0   |
| <i>Fund Balance End of Year</i>                     | <u>\$4,126,427</u> | <u>\$3,932,427</u> | <u>\$6,414,147</u> | <u>\$2,481,720</u>  |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2021*

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|  | <u>Agency</u>           |
|--|-------------------------|
| <b>Assets</b>  |                         |
| Equity in Pooled Cash, Cash Equivalents, and Investments | <u>\$161,545</u>        |
| <b>Net Position</b>                                      |                         |
| Held in Trust for Scholarships                           | \$500                   |
| Held in Student Activities                               | <u>\$161,045</u>        |
| <i>Total Net Position</i>                                | <u><u>\$161,545</u></u> |

See accompanying notes to the basic financial statements

**Fairlawn Local School District**  
*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2021*

|                                       | Private Purpose<br>Trust |
|---------------------------------------|--------------------------|
|                                       | Scholarship              |
| <b>Additions</b>                      |                          |
| Gifts and Donation                    | \$1,500                  |
| <b>Deductions</b>                     |                          |
| Noninstructional Services             | 1,000                    |
| <i>Change in Net Position</i>         | 500                      |
| <i>Net Position Beginning of Year</i> | 0                        |
| <i>Net Position End of Year</i>       | \$500                    |

See accompanying notes to the basic financial statements



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established in 1953. The District serves an area of approximately 58 square miles. It is located in Shelby County, including all of Green and Perry Townships, and portions of Salem Township. The District is the 515th smallest in the State of Ohio (among 612 Districts) in terms of enrollment. This Board controls the District's one instructional/support facility staffed by 38 non-certificated employees, 35 certificated full time teaching personnel and 3 administrative employees to provide services to 530 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 insure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Fairlawn Local School District, this includes general operations, food service, and student related activities of the District.

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

The District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Council (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and West Central Ohio Special Education Regional Resource Center (SERRC), jointly governed organizations. The District is also associated with the Sheakley Workers’ Compensation Group Rating Plan, SOEPC Insurance Program and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 13 and 14 to the cash basis financial statements.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as cash assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the end of the fiscal year.

**A. Fund Accounting**

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

**Governmental:** The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

**General Fund:** The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**Bond Retirement Fund:** The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal and interest.

**Fiduciary Funds:** Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets the District holds under trust agreements for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for a college scholarship program.

Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The District's agency fund accounts for student activities' cash.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

The District's basic financial statements consist of government-wide financial 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 District as a whole, except for fiduciary funds. The statement of activities eliminates internal service fund activity to avoid reporting those transactions twice. The statement reports governmental activities separately from business-type activities. The District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year-end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

**C. Cash, Cash Equivalents and Investments**

The District deposits and invests cash from all funds in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents and investments on the financial statements.

The District values investments and cash equivalents at cost. For presentation on the financial statements, the District classifies investments of the cash management pool as cash and cash equivalents and investments. Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2021 was \$94,099 including \$24,466 assigned from other District funds.

**D. Restricted Assets**

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for capital improvements. See Note 11 for additional information regarding these set-asides. There are no restricted assets at June 30, 2021.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**F. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**H. Long-term Obligations**

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

**I. Fund Balance**

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

**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. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted 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 District Board of Education.

**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 resulting from overspending for specific purposes for which amounts had been restricted

**J. Net Position**

The statements report restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

**K. Interfund Activity**

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. During fiscal year 2019, the District did not advance funds to any other fund.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the District's control that are either unusual in nature or infrequent in occurrence.

**M. Budgetary Data**

Ohio law requires the District to budget and appropriate all funds, other than agency funds. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The District uses the object level within the General Fund and Fund level for all other funds.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Budgetary Data (Continued)**

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**N. Pensions**

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

**3. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**4. PROPERTY AND INCOME TAXES**

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**4. PROPERTY AND INCOME TAXES (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax receipts received in calendar year 2021 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, 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 semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 taxes. Public utility real and personal property taxes received in calendar year 2021 became a lien on December 31, 2020, were levied after April 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

|  | <u>2020 second - Half Collections</u> |                | <u>2019 first- Half Collections</u> |                |
|--|---------------------------------------|----------------|-------------------------------------|----------------|
|  | <u>Amount</u>                         | <u>Percent</u> | <u>Amount</u>                       | <u>Percent</u> |
| Agricultural/ Residential<br>and Other Real Estate | \$ 54,948,830                         | 91.00%         | 58,992,490                          | 90.20%         |
| Public Utility Personal                            | <u>6,407,430</u>                      | <u>9.00</u>    | <u>6,407,370</u>                    | <u>9.80</u>    |
| Total  | <u>\$ 61,356,260</u>                  | <u>100.00%</u> | <u>\$ 65,399,860</u>                | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation      | \$31.44                               |                | \$31.32                             |                |

The District levies a voted income tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

**5. INTERFUND TRANSFERS**

Inter-fund cash transfers for the year ended June 30, 2021 were as follows:

| <b>Transfer from</b> | <b>Transfer to</b> | <b>Amount</b> |
|----------------------|--------------------|---------------|
| General Fund         | Food Service Fund  | \$ 40,000     |

The transfer from the General Fund to the Food Service fund was for operating purposes.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**6. DEPOSITS AND INVESTMENTS**

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
7. Certain bankers' acceptances and commercial paper notes;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific District obligation or debt and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Un-deposited Cash:** At year-end, the District's had \$100 in un-deposited cash on hand, included as part of *Equity in pooled cash and cash equivalents and investments*.

**Deposits:** At year-end, the carrying amount of the District's deposits was \$6,388,396 and the bank balance was \$6,418,884. Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2021, \$750,000 of the bank balance was covered by federal depository insurance. However, based on the criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, the District's remaining bank balance of \$5,668,884 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments:** As of June 30, 2021 the District had various investments – Federal Farm Credit with carrying value of \$999,800 maturing on May 16, 2024. The District also owns Godman Sachs Bank, Sallie Mae, Washington Mount Lake Bank, Capital One National Bank, Capital One Bank, and Minster Bank Certificates of Deposit each for \$250,000 and each are covered entirely by FDIC. Total District investments are \$2,498,800.

The District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts investment in anything other than as identified in the Ohio Revised Code, except that all investments must mature within five years from the date of investments unless they are matched to a specific obligation or debt of the District. Purchasing investments that cannot be held until the maturity date is also restricted.



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**7. RISK MANAGEMENT**

**A. Commercial Insurance**

The 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 2008, the District joined a self-insurance pool through the Southwest Ohio EPC for the following insurance coverage:

Coverage provided by various companies.

|   |               |
|---|---------------|
| Buildings and Contents – replacement cost | \$ 24,500,000 |
| General Liability - Per Occurrence        | 6,000,000     |
| General Liability –Aggregate              | 8,000,000     |
| Automobile Liability                      | 6,000,000     |
| Uninsured Motorists                       | 8,000,000     |

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

**B. Workers' Compensation**

For fiscal year 2021, the District participated in the Sheakley Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 14). The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria.

The school districts apply for participation each year. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays \$350 enrollment fee to the Plan to cover the costs of administering the program.

**C. Employee Medical Benefits**

The District participates in the Shelby County Schools Consortium, a group purchasing pool (Note 14) consisting of six district thereafter. The District is self-insured. Self-insurance plan is administered by Jefferson Health plan and Self Funded Plan, Inc. The District pays monthly premium to Sun Life for life insurance benefits.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

Age and service requirements for retirement are as follows:

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

Five years after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14 percent.

The District’s contractually required contribution to SERS was \$201,233 for fiscal year 2021.

***Plan Description - State Teachers Retirement System (STRS)***

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Plan Description - State Teachers Retirement System (STRS) – (continued)*

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Plan Description - State Teachers Retirement System (STRS) – (continued)*

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 statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$319,848 for fiscal year 2021.

*Net Pension Liability*

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

|  | SERS        | STRS        | TOTAL       |
|--|-------------|-------------|-------------|
| Proportionate Share of the Net Pension Liability | \$2,370,401 | \$4,727,723 | \$7,098,124 |
| Proportion of the Net Pension Liability          | .0358380%   | .01953892%  |             |

*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.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

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, 2017, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.00 percent   |
| Future Salary Increases, including inflation | .350 percent to 18.20 percent                                |
| COLA or Ad Hoc COLA                          | 2.50 percent   |
| Investment Rate of Return                    | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal   |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2014.

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

| Asset Class            | Target<br>Allocation | Long Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 2.00 %               | 1.85 %                                    |
| US Stocks              | 22.50                | 5.75                                      |
| Non-US Stocks          | 22.50                | 6.50                                      |
| Fixed Income           | 19.00                | 12.85                                     |
| Private Equity         | 12.00                | 7.60                                      |
| Real Assets            | 17.00                | 6.60                                      |
| Multi-Asset Strategies | 5.00                 | 6.65                                      |
| Total                  | 100.00 %             |   |

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

**Sensitivity of the 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<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District’s proportionate share<br>of the net pension liability | \$3,223,744            | \$2,370,400                         | \$1,611,872            |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions - STRS*

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.50 percent   |
| Projected salary increases        | 2.50 percent at age 65 to 12.50 percent at age 20  |
| Investment Rate of Return         | 7.45 percent, net of investment expenses   |
| Cost-of-Living Adjustments (COLA) | 3 percent simple applied as follows: for members retiring before<br>0% effective July, 1, 2017 |
|                                   | .  |

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study, effective July 1, 2018.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class          | Target     |   | Long Term Expected  |   |
|----------------------|------------|---|---------------------|---|
|                      | Allocation |   | Real 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     | % |                     |   |



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

|  | Current<br>1% Decrease<br>(6.45%) | Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|--|-----------------------------------|--------------------------|------------------------|
| District's proportionate share<br>of the net pension liability | \$5,929,645                       | \$ 4,360,033             | \$2,964,822            |

**9. DEFINED BENEFIT OPEB PLANS**

**A. Net OPEB Liability/Asset**

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability and net OPEB asset represent the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability and net OPEB asset calculations are 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.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

**A. Net OPEB Liability/Asset (continued)**

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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

**B. School Employees Retirement System (SERS)**

*Plan Description* - 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](http://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.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

**B. School Employees Retirement System (SERS) (continued)**

*Funding Policy* - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$24,828 for fiscal year 2021.

**C. State Teachers Retirement System (STRS)**

*Plan Description* – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

**D. Net OPEB Liability/Asset**

The net OPEB liability and net OPEB asset were measured as of June 30, 2021, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability and net OPEB asset were 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:

|                                       | SERS      | STRS        | TOTAL     |
|---------------------------------------|-----------|-------------|-----------|
| Proportion of the Net OPEB Liability: |           |             |           |
| Current Measurement Date              | .0374096% | .0194996%   |           |
| Proportionate Share of the:           |           |             |           |
| Net OPEB Liability                    | \$813,033 | (\$411,000) | \$402,033 |

***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.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

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

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

The most recent experience study was completed for the five year period ended June 30, 2015. The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 2.00 %                       | 1.85 %  |
| US Stocks              | 22.50                        | 5.75  |
| Non-US Stocks          | 22.50                        | 6.50  |
| Fixed Income           | 19.00                        | 2.85  |
| Private Equity         | 12.00                        | 7.60  |
| Real Assets            | 17.00                        | 6.60  |
| Multi-Asset Strategies | 5.00                         | 6.65  |
| Total                  | <u>100.00 %</u>              |   |

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

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

|  | 1% Decrease<br>(1.63%) | Current<br>Discount Rate<br>(2.63%) | 1% Increase<br>(3.63%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net OPEB liability | \$ 991,501             | \$ 813,033                          | \$ 677,528             |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – SERS (continued)*

|  | 1%Decrease<br>(6.00% decreasing<br>To 3.75%) | Current<br>Trend Rate<br>(7.00% decreasing<br>to 4.75%) | 1%Increase<br>(8.00% decreasing<br>to 5.75%) |
|--|--|---|--|
| School District’s proportionate share<br>Of the net OPEB liability | \$655,672                                    | \$ 813,033  | \$1,029,156                                  |

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

|                            |  |              |
|----------------------------|--|--------------|
| Projected salary increases | 12.50 percent at age 20 to<br>2.50 percent at age 65             |              |
| Investment Rate of Return  | 7.00 percent, net of investment<br>expenses, including inflation |              |
| Payroll Increases          | 3 percent  |              |
| Discount Rate of Return    | 7.00 percent   |              |
| Health Care Cost Trends    | Initial  | Ultimate     |
| Medical                    |  |              |
| Pre-Medicare               | 5.00 percent   | 4.00 percent |
| Medicare                   | -16.18%  | 4.00 percent |
| Prescription Drug          |  |              |
| Pre-Medicare               | 6.50 percent   |              |
| Medicare                   | 29.98%   | 4.00 percent |

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, 2021, 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:

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**9. DEFINED BENEFIT OPEB PLANS (Continued)**

*Actuarial Assumptions – STRS (continued)*

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>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                                   |
| <b>Total</b>         | <b>100.00 %</b>      |  |

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

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

**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 liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB liability 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<br>In Discount Rate<br>(6.00%) | Current Discount Rate<br>(7.00%) | 1% Increase<br>in Discount Rate<br>(8.00%) |
|--|--|----------------------------------|--|
| School District's Proportionate Share<br>Of the net OPEB asset | \$348,305                                  | \$411,000                        | \$467,046                                  |
|  | 1% Decrease                                | Current Trend Rate               | 1% Increase                                |
| School District Proportionate Share<br>Of the net OPEB asset   | \$467,045                                  | \$411,000                        | \$348,305                                  |



**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**10. CONTINGENCIES**

**A. Grants**

The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2021 will not have a material adverse effect on the District.

**B. Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. ODE has flat line the District foundation based on budget cuts in May of 2021.

**C. Litigation**

There are currently no matters in litigation with the District as defendant.

**11. SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 describes the change in the year-end set-aside amounts for capital acquisition.

|   |                    |
|---|--------------------|
| Balance June 30, 2020                   | \$ -               |
| Current Year Set Aside Requirement      | 109,677            |
| Qualifying Expenditures                 | <u>(109,677)</u>   |
| Set Aside Reserve Balance June 30, 2021 | <u><u>\$ -</u></u> |

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**12. LONG TERM LIABILITIES**

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

| <u>School Improvement</u>          | <u>Principal<br/>Outstanding<br/>6/30/2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Principal<br/>Outstanding<br/>6/30/2021</u> | <u>Amount<br/>Due in<br/>One Year</u> |
|------------------------------------|--|------------------|-------------------|--|---------------------------------------|
| 2016 Refunding Term Bonds - 4%     | \$ 1,805,000                                   | \$ -             | \$ -              | \$ 1,805,000                                   | \$ -                                  |
| 2016 Refunding Serial Bonds 2 - 4% | \$ 2,105,000                                   | \$ -             | \$ 185,000        | \$ 1,920,000                                   | \$ 185,000                            |
|                                    | <u>\$ 3,910,000</u>                            | <u>\$ -</u>      | <u>\$ 185,000</u> | <u>\$ 3,725,000</u>                            | <u>\$ 185,000</u>                     |

On March 27, 2008, the District issued \$5,799,999 in voted general obligation bonds for the purpose of building a new K-12 school building. The bonds were issued for a twenty eight year period with final maturity at December 1, 2035. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,255,000, \$4,445,000, and \$100,000, respectively. The serial bonds were fully paid during fiscal year 2016. The term bonds were fully advance refunded during fiscal year 2016. The bonds were retired from the Bond Retirement Fund, with the proceeds of a 10.34 mil voted property tax.

On February 25, 2016, the District issued \$4,295,000 in general obligation bonds to advance refund the 2008 term bonds. Of these bonds, \$2,490,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2035 and maturity amounts that range from \$40,000 to \$295,000. The remaining bonds are term bonds with maturity dates of December 1, 2025 in the amount of \$630,000, December 1, 2032 in the amount of \$560,000, and December 1, 2034 in the amount of \$615,000.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result the refunded bonds are considered to be defeased.

The District's overall legal debt margin was \$5,522,064 with an energy conservation debt margin of \$552,206 and unvoted debt margin of \$61,356 at June 30, 2021.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**12. LONG TERM LIABILITIES (CONTINUED)**

Principal and interest requirements to retire the general obligation bonds are as follows:

| General Obligation Term/Serial Bonds |                     |                     |                     |
|--------------------------------------|---------------------|---------------------|---------------------|
| Year Ended                           | Principal           | Interest            | Total               |
| 2022                                 | 185,000             | 143,825             | 328,825             |
| 2023                                 | 200,000             | 136,125             | 336,125             |
| 2024                                 | 200,000             | 128,125             | 328,125             |
| 2025                                 | 210,000             | 119,925             | 329,925             |
| 2026                                 | 220,000             | 111,325             | 331,325             |
| 2027-2031                            | 1,240,000           | 441,825             | 1,681,825           |
| 2032-2036                            | 1,470,000           | 143,162             | 1,613,162           |
| Total                                | <u>\$ 3,725,000</u> | <u>\$ 1,224,312</u> | <u>\$ 4,949,312</u> |

The bonds will be retired from the Bond Retirement Fund, with the proceeds of a 10.34 mil voted property tax.

**13. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization (WOCO)** - The District is a participant in the Western Ohio Computer Organization which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. 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 districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent.

WOCO is not accumulating significant financial resources nor is it experiencing financial stress that may cause an additional financial benefit or burden to the District. The District paid WOCO \$34,867 for services provided during the fiscal year 2021. Financial information can be obtained from Don Walls, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 150 Districts in 12 counties. The purpose of the cooperative 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. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain financial information, write the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**13. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institution. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

**West Central Ohio Special Education Regional Resource Center** - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer, at 1045 Dearbaugh Avenue, Suite 1, Wapakoneta, Ohio 45895.

**14. PURCHASING POOLS**

**Sheakely Workers' Compensation Group Rating Plan** - For fiscal year 2021, the District participated in the Sheakely Workers' Compensation Group Rating Plan, an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Sheakely Uniservice Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

**Shelby County Schools Consortium** - The Shelby County Schools Consortium is a group purchasing pool among seven local Districts until January 1, 2018. After January 1, 2018 the Consortium has six local Districts. This group purchasing pool formed a voluntary employee benefit association to provide health and dental coverage and life benefits to participants at a lower rate than if the individual districts acted independently. As of January 1, 2018, the Consortium is self-insured for health and dental coverage. The District using Self Funded Plans, Inc. to administrate the program. The Plan is governed by an administrative committee consisting of the superintendent from each participating district.

**FAIRLAWN LOCAL DISTRICT  
SHELBY COUNTY**

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

**14. PURCHASING POOLS (CONTINUED)**

**Southwestern Ohio Educational Purchasing Council Insurance Program** – The District participates in the Southwestern Ohio Educational Purchasing Council Insurance Program, a group purchasing pool among members of the Southwestern Ohio Educational Purchasing Council. A five member committee made up of member schools meet five to six times a year, has governing by-laws and is sanctioned by the Educational Purchasing Council Board. During fiscal year 2021, this program included 55 Districts with combined student enrollment of 104,056, and combined values of \$4,340,148. The group is governed by the Southwestern Ohio Educational Purchasing Council and is a self-insurance package which allows the Council to:

- Retain a portion of the predictable losses
- Transfer a portion of the catastrophic risk
- Broaden the districts insurance program coverages

The District paid \$33,921 to the group during fiscal year 2021 for Property and Casualty Insurance. JW Specialty Company is responsible for processing claims. Arthur J. Gallagher Risk Management Services, Inc is the sales and marketing representative, which establishes agreements between Southwest Ohio Educational Purchasing Council Insurance Program and member schools.

**15. FUND BALANCES**

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

| Fund Balances               | General             | Bond<br>Retirement | Other<br>Governmental<br>Funds | Total               |
|-----------------------------|---------------------|--------------------|--------------------------------|---------------------|
| <b>Restricted for</b>       |                     |                    |                                |                     |
| Food Service Operations     | \$ -                | \$ -               | \$ 82,037                      | \$ 82,037           |
| Athletics                   | -                   | -                  | 25,555                         | 25,555              |
| Debt Service Payments       | -                   | 976,238            | -                              | 976,238             |
| Other Purposes              | -                   | -                  | 1,173,861                      | 1,173,861           |
| <i>Total Restricted</i>     | <u>-</u>            | <u>976,238</u>     | <u>1,281,453</u>               | <u>2,257,691</u>    |
| <b>Committed to</b>         |                     |                    |                                |                     |
| Other Purposes              | 47,076              | -                  | -                              | 47,076              |
| <i>Total Committed</i>      | <u>47,076</u>       | <u>-</u>           | <u>-</u>                       | <u>47,076</u>       |
| <b>Assigned to</b>          |                     |                    |                                |                     |
| Other Purposes              | 100,712             | -                  | 19,194                         | 119,906             |
| <b>Unassigned (Deficit)</b> | <u>6,316,160</u>    | <u>-</u>           | <u>(15,182)</u>                | <u>6,300,978</u>    |
| <i>Total Fund Balances</i>  | <u>\$ 6,463,948</u> | <u>\$ 976,238</u>  | <u>\$ 1,285,465</u>            | <u>\$ 8,725,651</u> |

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Fairlawn Local School District  
Sidney, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairlawn Local School District, Shelby County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2022, wherein we noted that the District uses a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

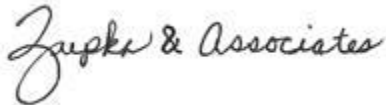
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as **Finding 2021-001**.

### **Fairlawn Local School District Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zupka & Associates  
Certified Public Accountants

December 27, 2022

**FAIRLAWN LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**Finding 2021-001 – Noncompliance Finding – Annual Financial Report**

Condition/Criteria

Ohio Revised Code Section 117.38(A) provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03(B) further clarifies the requirements of Ohio Revised Code Section 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Effect

Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Recommendation

We recommend the District take the necessary steps to ensure the annual report is prepared in accordance with generally accepted accounting principles.

District Response

The District has elected to prepare the annual financial statements on the cash basis which incorporates the reporting format required by the Governmental Accounting Standards Board Statement No. 34. The District does not believe the inclusion of accruals reported under Generally Accepted Accounting Principles adds significant value to the presentation of the statements to justify the additional expense required with preparation and audit of such statements.



**FAIRLAWNA LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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The prior audit report, as of June 30, 2020, included noncompliance findings.

| <u>Number</u> | <u>Finding Summary</u>                  | <u>Status</u> | <u>Additional Information</u> |
|---------------|---|---------------|-------------------------------|
| 2020-001      | Noncompliance - Annual Financial Report | Not Corrected | Repeated as Finding 2021-001  |

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# OHIO AUDITOR OF STATE KEITH FABER



**FAIRLAWN LOCAL SCHOOL DISTRICT**

**SHELBY 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 2/16/2023**

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](http://www.ohioauditor.gov)