

**STRASBURG-FRANKLIN  
LOCAL SCHOOL DISTRICT**  
TUSCARAWAS COUNTY, OHIO

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2022 & 2021**





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Board of Education  
Strasburg-Franklin Local School District  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

We have reviewed the *Independent Auditor's Report* of the Strasburg-Franklin Local School District, Tuscarawas County, prepared by Julian & Grube, Inc., 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

**Noncompliance/Finding for Recovery – Amber Shaeffer**

Strasburg-Franklin Local School District Board Policy #6530, effective May 15, 2013 through May 18, 2023, provides, in part, that the Board of Education provides paid vacation leave to certain of its administrators who are employed under eleven (11) and twelve (12) month contracts. The Board recognizes, however, that these positions, by their nature, are not amendable to substitution during periods of administrator absence.

As such, the Board authorizes the following administrators to elect, on an annual basis, to receive payment for all of their accrued, unused vacation leave, in lieu of utilizing those vacation days:

- A. Superintendent
- B. Treasurer

The Treasurer's employment contract, dated February 28, 2020, between the Board of Education of the Strasburg-Franklin Local School District and Amber Shaeffer, provides that the Treasurer shall be entitled to 15 days of vacation annually. Vacation days are intended to be used during the year earned; however, unused vacation may be accumulated to a maximum of 35 days. Vacation days may be taken in one half or one day increments. The Treasurer may be compensated for up to five (5) vacation days per year from any unused time earned during said year upon certification of the Superintendent.

Amber Shaeffer had been the School District Treasurer from March 9, 2020, through August 31, 2022. Ms. Shaeffer was compensated vacation leave in both fiscal years 2022 and 2023, however, her leave balances were not reduced by the days she was paid out. Additionally, contrary to her contract, vacation leave was posted in increments of less than .5 days on 5 occasions during the two-year period.

The accounting system showed Ms. Shaeffer had a vacation leave balance of 30 days upon separation. This balance should have been reduced as follows:

|  | Vacation<br><u>Days</u> |
|--|-------------------------|
| System Balance at February 28, 2020  | 2.50                    |
| System Accruals FY21 and FY22  | 30.00                   |
| Leave Used and Posted  | (6.75)                  |
| <u>Adjustments to Vacation Leave:</u>  |                         |
| Increase leave posted as .25 days to .5 per<br>incremental minimum in the contract (5) | (1.25)                  |
| Leave paid out on 10/8/20; balance not reduced   | (5.00)                  |
| Leave paid out on 6/17/21; balance not reduced   | (5.00)                  |
| Leave paid out on 12/2/21; balance not reduced   | (5.00)                  |
| Leave paid out on 3/24/22; balance not reduced   | (10.00)                 |
| Leave paid out on 4/07/22; balance not reduced   | <u>(5.00)</u>           |
| Days Leave in Excess of Available Balance  | (5.50)                  |

The School District deducted the balance of 30 days pending the completion of the audit. As a result of the failure to deduct leave and post leave at the minimum increment, Ms. Shaeffer was overcompensated \$1,586 (5.5 days x \$288.46 daily rate = \$1,586.53).

Also, on February 16, 2022, the Board approved an addendum to Amber Shaeffer's FY22 contract for a stipend of \$500 per month relating to payroll services effective February 2022 through June 2022. Subsequent to June 2022, Ms. Shaeffer continued to pay herself the stipend with an increase to \$600 per month. We reviewed the Board meeting minutes from April through July 2022, as well as Ms. Shaeffer's personnel file, and did not identify any approvals by the Board or addendum to her contract authorizing the continued stipend with an increase. As a result, Ms. Shaeffer was overcompensated by \$553.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.24, a Finding for Recovery for public monies illegally expended is hereby issued against Amber Shaeffer, former Treasurer, and her bonding company, Western Surety Company (Bond #65009143), in the amount of \$2,139 and in favor of the School District's General Fund.

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 Strasburg-Franklin Local School District is responsible for compliance with these laws and regulations.



Keith Faber  
 Auditor of State  
 Columbus, Ohio

August 13, 2024

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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## Independent Auditor's Report

Strasburg-Franklin Local School District  
Tuscarawas County  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

To the Members of the Board of Education:

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of and for the fiscal years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Strasburg-Franklin Local School 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Strasburg-Franklin Local School District, as of June 30, 2022 and 2021, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with 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. 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 Strasburg-Franklin Local School 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Strasburg-Franklin Local School 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Strasburg-Franklin Local School 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 Strasburg-Franklin Local School 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.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, schedules of net pension and other postemployment benefit assets and liabilities and pension and other post-employment benefit contributions*, listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024 on our consideration of the Strasburg-Franklin Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Strasburg-Franklin Local School 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 Strasburg-Franklin Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
April 15, 2024

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The discussion and analysis of the Strasburg-Franklin Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to those respective statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2022 are as follows:

- The District's net position increased \$862,288 or 9.00% from the June 30, 2021 net position.
- Revenues for governmental activities totaled \$8,437,075 in fiscal year 2022. Of this total, \$6,719,945 or 79.65% consisted of general revenues while program revenues accounted for the balance of \$1,717,130 or 20.35%.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's performance, demographic and socioeconomic factors and willingness of the community to Support the District. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the statement of net position and the statement of activities, the District is classified into governmental activities. All of the District's non-fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The District's major funds are described on page 10. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-59 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 62 through 80 of this report.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position at June 30, 2022 and 2021.

|  | <b>Net Position</b>        |                            |
|--|----------------------------|----------------------------|
|  | Governmental<br>Activities | Governmental<br>Activities |
|  | <u>2022</u>                | <u>2021</u>                |
| <b><u>Assets</u></b>                         |                            |                            |
| Current and other assets                     | \$ 10,568,932              | \$ 10,550,207              |
| Net OPEB asset                               | 442,290                    | 367,170                    |
| Capital assets, net                          | <u>12,658,945</u>          | <u>12,719,101</u>          |
| Total assets                                 | <u>23,670,167</u>          | <u>23,636,478</u>          |
| <b><u>Deferred outflows of resources</u></b> |                            |                            |
| Deferred Charge on Refunding                 | 324,292                    | 355,424                    |
| Pensions                                     | 1,391,758                  | 1,067,514                  |
| OPEB   | <u>142,493</u>             | <u>130,773</u>             |
| Total deferred outflows of resources         | <u>1,858,543</u>           | <u>1,553,711</u>           |
| <b><u>Liabilities</u></b>                    |                            |                            |
| Current liabilities                          | 563,098                    | 644,397                    |
| Long-term liabilities:                       |                            |                            |
| Due within one year                          | 312,479                    | 321,882                    |
| Due in more than one year:                   |                            |                            |
| Net pension liability                        | 3,328,131                  | 6,128,550                  |
| Net OPEB liability                           | 338,954                    | 364,167                    |
| Other amounts due in more than one year      | <u>4,121,781</u>           | <u>4,415,199</u>           |
| Long-term liabilities                        | <u>8,101,345</u>           | <u>11,229,798</u>          |
| Total liabilities                            | <u>8,664,443</u>           | <u>11,874,195</u>          |
| <b><u>Deferred inflows of resources</u></b>  |                            |                            |
| Property taxes                               | 2,917,441                  | 2,856,331                  |
| Pensions                                     | 2,775,013                  | 209,558                    |
| OPEB   | <u>726,930</u>             | <u>667,510</u>             |
| Total deferred inflows of resources          | <u>6,419,384</u>           | <u>3,733,399</u>           |
| <b><u>Net position</u></b>                   |                            |                            |
| Net investment in capital assets             | 9,041,095                  | 8,813,177                  |
| Restricted                                   | 2,031,623                  | 1,798,322                  |
| Unrestricted (deficit)                       | <u>(627,835)</u>           | <u>(1,028,904)</u>         |
| Total net position                           | <u>\$ 10,444,883</u>       | <u>\$ 9,582,595</u>        |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The net pension liability decreased \$2,800,419 or 45.69% and deferred inflows of resources related to pension increased \$2,565,455 or 1,224.22%. These changes were the result of changes at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Net investment income on investments at both pension systems exceeded estimates for the fiscal year 2021 measurement that are used for the fiscal year 2022 reporting which caused a large increase in their respective fiduciary net positions.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$6,719,945 or 79.65% of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,717,130 or only 20.35% of total revenue.

The table below shows the change in net position for fiscal years 2022 and 2021.

|                                    | <b>Change in Net Position</b> |                  |
|------------------------------------|-------------------------------|------------------|
|                                    | Governmental                  | Governmental     |
|                                    | Activities                    | Activities       |
|                                    | <u>2022</u>                   | <u>2021</u>      |
| <b><u>Revenues</u></b>             |                               |                  |
| Program revenues:                  |                               |                  |
| Charges for services and sales     | \$ 630,842                    | \$ 800,090       |
| Operating grants and contributions | 1,086,288                     | 888,845          |
| Capital grants and contributions   | -                             | 35,393           |
| General revenues:                  |                               |                  |
| Property taxes                     | 3,568,390                     | 3,443,460        |
| Grants and entitlements            | 3,051,048                     | 3,166,591        |
| Investment earnings                | 17,901                        | 10,869           |
| Miscellaneous                      | <u>82,606</u>                 | <u>146,487</u>   |
| Total revenues                     | <u>8,437,075</u>              | <u>8,491,735</u> |

-Continued

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

|                                   | Governmental<br>Activities<br><u>2022</u> | Governmental<br>Activities<br><u>2021</u> |
|-----------------------------------|---|---|
| <b><u>Expenses</u></b>            |   |   |
| Program expenses:                 |   |   |
| Instruction:                      |   |   |
| Regular                           | \$ 3,970,033                              | \$ 3,886,468                              |
| Special                           | 346,732                                   | 680,006                                   |
| Other                             | 3,268                                     | 3,361                                     |
| Support services:                 |   |   |
| Pupil                             | 211,024                                   | 345,543                                   |
| Instructional staff               | 422,146                                   | 188,037                                   |
| Board of education                | 54,551                                    | 16,241                                    |
| Administration                    | 624,355                                   | 737,833                                   |
| Fiscal                            | 215,931                                   | 206,769                                   |
| Operations and maintenance        | 713,299                                   | 677,710                                   |
| Pupil transportation              | 191,889                                   | 242,291                                   |
| Central                           | 65,052                                    | 57,402                                    |
| Food service operations           | 270,378                                   | 253,697                                   |
| Other non-instructional services  | 5,441                                     | 2,796                                     |
| Extracurricular activities        | 384,317                                   | 322,742                                   |
| Interest and fiscal charges       | <u>96,371</u>                             | <u>93,850</u>                             |
| Total expenses                    | <u>7,574,787</u>                          | <u>7,714,746</u>                          |
| Change in net position            | 862,288                                   | 776,989                                   |
| Net position at beginning of year | <u>9,582,595</u>                          | <u>8,805,606</u>                          |
| Net position at end of year       | <u>\$ 10,444,883</u>                      | <u>\$ 9,582,595</u>                       |

**Governmental Activities**

The District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 57.03% of the District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 17.78%. The remaining amount of program expenses, 25.18%, is to facilitate other obligations of the District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the District.

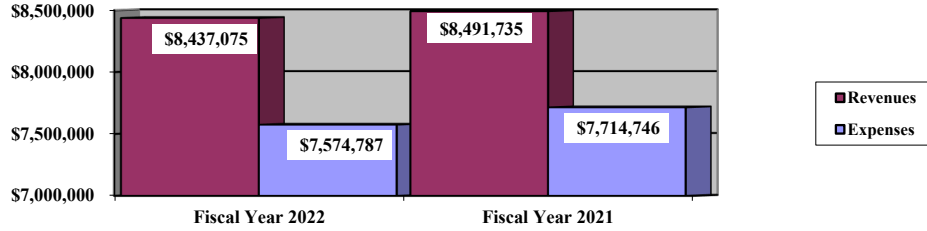
Overall, expenses of the governmental activities decreased \$139,959 or 1.81%. This decrease is primarily the result of a decrease in pension expense. Pension expense decreased approximately \$667,051. This decrease was the result of a decrease in expenses incurred at the pension system level for the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) due to an increase in net investment income on investments compared to previous years.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2022 and 2021.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

**Governmental Activities**

|                                  | Total Cost of<br>Services<br><u>2022</u> | Net Cost of<br>Services<br><u>2022</u> | Total Cost of<br>Services<br><u>2021</u> | Net Cost of<br>Services<br><u>2021</u> |
|----------------------------------|--|--|--|--|
| <b>Program expenses</b>          |  |  |  |  |
| Instruction:                     |  |  |  |  |
| Regular                          | \$ 3,970,033                             | \$ 3,758,274                           | \$ 3,886,468                             | \$ 3,294,622                           |
| Special                          | 346,732                                  | (210,297)                              | 680,006                                  | 203,439                                |
| Other                            | 3,268                                    | 3,268                                  | 3,361                                    | 3,361                                  |
| Support services:                |  |  |  |  |
| Pupil                            | 211,024                                  | 59,568                                 | 345,543                                  | 205,080                                |
| Instructional staff              | 422,146                                  | 229,742                                | 188,037                                  | 181,907                                |
| Board of education               | 54,551                                   | 54,551                                 | 16,241                                   | 16,241                                 |
| Administration                   | 624,355                                  | 621,482                                | 737,833                                  | 734,923                                |
| Fiscal                           | 215,931                                  | 215,931                                | 206,769                                  | 206,769                                |
| Business                         | -  | -                                      | -  | -                                      |
| Operations and maintenance       | 713,299                                  | 707,218                                | 677,710                                  | 625,113                                |
| Pupil transportation             | 191,889                                  | 191,889                                | 242,291                                  | 206,898                                |
| Central                          | 65,052                                   | 59,035                                 | 57,402                                   | 54,857                                 |
| Food service operations          | 270,378                                  | (206,355)                              | 253,697                                  | (42,390)                               |
| Other non-instructional services | 5,441                                    | (168)                                  | 2,796                                    | 996                                    |
| Extracurricular activities       | 384,317                                  | 277,148                                | 322,742                                  | 204,752                                |
| Interest and fiscal charges      | 96,371                                   | 96,371                                 | 93,850                                   | 93,850                                 |
| <b>Total expenses</b>            | <u>\$ 7,574,787</u>                      | <u>\$ 5,857,657</u>                    | <u>\$ 7,714,746</u>                      | <u>\$ 5,990,418</u>                    |

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 78.46% of total costs are directly supported by local property taxes, grants and entitlements. Programs revenues only account for 22.67% of all governmental expenses.

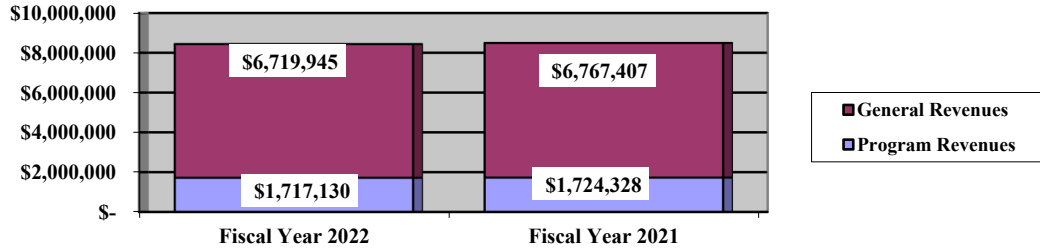


**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The graph below presents the District’s governmental activities revenue for fiscal years 2022 and 2021.

**Governmental Activities - General and Program Revenues**



**The District’s Funds**

The District’s governmental funds reported a combined fund balance of \$6,782,858 which is less than last year’s fund balance of \$6,970,645.

|                        | Fund Balance<br><u>June 30, 2022</u> | Fund Balance<br><u>June 30, 2021</u> | <u>Change</u>       |
|------------------------|--------------------------------------|--------------------------------------|---------------------|
| General                | \$ 5,018,726                         | \$ 5,178,934                         | \$ (160,208)        |
| Non-major governmental | <u>1,764,132</u>                     | <u>1,791,711</u>                     | <u>(27,579)</u>     |
| Total                  | <u>\$ 6,782,858</u>                  | <u>\$ 6,970,645</u>                  | <u>\$ (187,787)</u> |

Information regarding the District’s major funds can be found beginning on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources totaling \$8,217,320 and expenditures totaling \$8,405,107. The general fund balance decreased by \$160,208 due to various function expenditure increases during the fiscal year.

**General Fund Budgeting Highlights**

The District’s budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant to be budgeted is the main operating fund of the District, the general fund.

The District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original budget basis estimated revenues (at the time the full year’s appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. There was an increase from the original budget basis expenditures to the final budget basis expenditures to realistically estimate the District’s expenditures in line with prior year trends and anticipated expenditures for the fiscal year. The original budget basis expenditures are temporarily appropriated in June and subsequently finalized in September of each year with adjustments made at that time.

The District’s general fund unencumbered ending cash balance totaled \$4,551,166 which was less than the final budgeted amount of \$4,690,254.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**Capital Assets and Debt Administration**

***Capital Assets***

At June 30, 2022, the District had \$12,658,945 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. The following table shows June 30, 2022 balances compared to June 30, 2021:

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

|                           | Governmental Activities |               |
|---------------------------|-------------------------|---------------|
|                           | 2022                    | 2021          |
| Land                      | \$ 1,618,633            | \$ 991,845    |
| Building and improvements | 19,248,405              | 19,248,405    |
| Furniture and fixtures    | 582,132                 | 512,730       |
| Vehicles                  | 588,325                 | 588,325       |
| Accumulated Depreciation  | (9,378,550)             | (8,622,204)   |
| Total                     | \$ 12,658,945           | \$ 12,719,101 |

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

***Debt***

**Outstanding Debt, at Year End**

|                          | Governmental<br>Activities | Governmental<br>Activities |
|--------------------------|----------------------------|----------------------------|
|                          | 2022                       | 2021                       |
| General obligation bonds |                            |                            |
| Serial and Term Bonds    | \$ 3,690,000               | \$ 3,985,000               |
| Total                    | \$ 3,690,000               | \$ 3,985,000               |

The District's overall debt margin is \$8,428,566 and the unvoted debt margin is \$128,947. For more information on debt refer to Note 9 of the basic financial statements.

**Current Financial Related Activities**

The District approaches the future with a very conservative approach. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The economic condition of the State and the Nation are having a negative impact on the financial status of the District.

The financial future of the District is faced with challenges which are both internal and external in nature. The internal challenges will continue to exist as the District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines what to do with the tremendous State revenue shortfalls and determine how to fund schools adequately.

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The District receives real and public utility personal property tax revenues from Tuscarawas County. Although the District relies heavily on its property taxpayers to support its operations, community support for the schools is quite strong. The District passed a five-year 1.6 mill limited levy in May 2017, which expired in 2022.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Additional revenue and/or reductions in expenditures will be necessary to avoid negative general fund balances in future years. The District has communicated to the community that it relies upon their support for the major part of its operations, and will work to work diligently to plan expenditures, staying carefully within the District's 5-year plan. State law limits the growth of income generated by local levies rendering revenue relatively constant.

The District does not anticipate any meaningful growth in State revenue due to the economic condition of the State. The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding has now been established as part of the State's biennial budget for fiscal years 2021 and 2022. The District has established its estimates on the Office of Budget and Management district projects for State education funding.

The State of Ohio is currently working on a new funding formula that is ADM-driven. Due to the current economic condition of the State, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the District's operations are heavily dependent upon State funding, the State's economic situation is of grave concern to the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Trevor Gummere, Treasurer, at Strasburg-Franklin Local School District, 140 North Bodmer Avenue, Strasburg, Ohio 44680, or email at [trevor.gummere@strasburgtigers.org](mailto:trevor.gummere@strasburgtigers.org).

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2022

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                 |                                    |
| Equity in pooled cash and cash equivalents     | \$ 6,714,970                       |
| Receivables:                                   |                                    |
| Property taxes                                 | 3,513,717                          |
| Intergovernmental                              | 267,991                            |
| Prepayments                                    | 61,130                             |
| Materials and supplies inventory               | 396                                |
| Inventory held for resale                      | 10,728                             |
| Net OPEB asset                                 | 442,290                            |
| Capital assets:                                |                                    |
| Nondepreciable capital assets                  | 1,618,633                          |
| Depreciable capital assets, net                | 11,040,312                         |
| Capital assets, net                            | 12,658,945                         |
| Total assets                                   | 23,670,167                         |
| <b>Deferred outflows of resources:</b>         |                                    |
| Unamortized deferred charges on debt refunding | 324,292                            |
| Pension  | 1,391,758                          |
| OPEB   | 142,493                            |
| Total deferred outflows of resources           | 1,858,543                          |
| <b>Liabilities:</b>                            |                                    |
| Accrued wages and benefits payable             | 430,842                            |
| Intergovernmental payable                      | 31,805                             |
| Pension and postemployment benefits payable    | 93,448                             |
| Accrued interest payable                       | 7,003                              |
| Long-term liabilities:                         |                                    |
| Due within one year                            | 312,479                            |
| Due in more than one year:                     |                                    |
| Net pension liability                          | 3,328,131                          |
| Net OPEB liability                             | 338,954                            |
| Other amounts due in more than one year        | 4,121,781                          |
| Total liabilities                              | 8,664,443                          |
| <b>Deferred inflows of resources:</b>          |                                    |
| Property taxes levied for the next fiscal year | 2,917,441                          |
| Pension  | 2,775,013                          |
| OPEB   | 726,930                            |
| Total deferred inflows of resources            | 6,419,384                          |
| <b>Net position:</b>                           |                                    |
| Net investment in capital assets               | 9,041,095                          |
| Restricted for:                                |                                    |
| Capital projects                               | 473,650                            |
| Classroom facilities maintenance               | 439,382                            |
| Debt service                                   | 510,970                            |
| State funded programs                          | 106,261                            |
| Food service operations                        | 280,190                            |
| Extracurricular programs                       | 114,506                            |
| Other purposes                                 | 106,664                            |
| Unrestricted (deficit)                         | (627,835)                          |
| Total net position                             | \$ 10,444,883                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|  |   | <b>Program Revenues</b>                       |                                    | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|--|---|---|------------------------------------|--|
| <b>Expenses</b>                          | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and Contributions</b> | <b>Governmental<br/>Activities</b> |  |
| <b>Governmental activities:</b>          |   |   |                                    |  |
| Instruction:                             |   |   |                                    |  |
| Regular                                  | \$ 3,970,033                              | \$ 99,772                                     | \$ 111,987                         | \$ (3,758,274)   |
| Special                                  | 346,732                                   | 319,338                                       | 237,691                            | 210,297  |
| Other                                    | 3,268                                     | -   | -                                  | (3,268)  |
| Support services:                        |   |   |                                    |  |
| Pupil                                    | 211,024                                   | -   | 151,456                            | (59,568)   |
| Instructional staff                      | 422,146                                   | 176   | 192,228                            | (229,742)  |
| Board of education                       | 54,551                                    | -   | -                                  | (54,551)   |
| Administration                           | 624,355                                   | 2,873   | -                                  | (621,482)  |
| Fiscal                                   | 215,931                                   | -   | -                                  | (215,931)  |
| Operations and maintenance               | 713,299                                   | 2,255   | 3,826                              | (707,218)  |
| Pupil transportation                     | 191,889                                   | -   | -                                  | (191,889)  |
| Central                                  | 63,505                                    | -   | 6,017                              | (57,488)   |
| Operation of non-instructional services: |   |   |                                    |  |
| Food service operations                  | 271,925                                   | 103,697                                       | 373,036                            | 204,808  |
| Other non-instructional services         | 5,441                                     | -   | 5,609                              | 168  |
| Extracurricular activities               | 384,317                                   | 102,731                                       | 4,438                              | (277,148)  |
| Interest and fiscal charges              | 96,371                                    | -   | -                                  | (96,371)   |
| <b>Totals</b>                            | <b>\$ 7,574,787</b>                       | <b>\$ 630,842</b>                             | <b>\$ 1,086,288</b>                | <b>(5,857,657)</b>   |
| <b>General revenues:</b>                 |   |   |                                    |  |
| Property taxes levied for:               |   |   |                                    |  |
|  |   |   |                                    | 3,104,855  |
|  |   |   |                                    | 348,985  |
|  |   |   |                                    | 89,963   |
|  |   |   |                                    | 24,587   |
|  |   |   |                                    | 3,051,048  |
|  |   |   |                                    | 17,901   |
|  |   |   |                                    | 82,606   |
|  |   |   |                                    | 6,719,945  |
|  |   |   |                                    | 862,288  |
|  |   |   |                                    | 9,582,595  |
|  |   |   |                                    | \$ 10,444,883  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Assets:</b>  |                     |  |   |
| Equity in pooled cash and cash equivalents            | \$ 4,690,750        | \$ 2,024,220                               | \$ 6,714,970                            |
| Receivables:  |                     |  |   |
| Property taxes  | 3,047,084           | 466,633                                    | 3,513,717                               |
| Interfund loans                                       | 61,642              | -  | 61,642                                  |
| Intergovernmental                                     | 72                  | 267,919                                    | 267,991                                 |
| Prepayments   | 61,130              | -  | 61,130                                  |
| Materials and supplies inventory                      | -                   | 396  | 396                                     |
| Inventory held for resale                             | -                   | 10,728                                     | 10,728                                  |
| Due from other funds                                  | 257,588             | -  | 257,588                                 |
| Total assets  | <u>\$ 8,118,266</u> | <u>\$ 2,769,896</u>                        | <u>\$ 10,888,162</u>                    |
| <b>Liabilities:</b>                                   |                     |  |   |
| Accrued wages and benefits payable                    | \$ 413,568          | \$ 17,274                                  | \$ 430,842                              |
| Intergovernmental payable                             | 31,601              | 204  | 31,805                                  |
| Pension and postemployment benefits payable           | 82,221              | 11,227                                     | 93,448                                  |
| Interfund loans payable                               | -                   | 61,642                                     | 61,642                                  |
| Due to other funds                                    | -                   | 257,588                                    | 257,588                                 |
| Total liabilities                                     | <u>527,390</u>      | <u>347,935</u>                             | <u>875,325</u>                          |
| <b>Deferred inflows of resources:</b>                 |                     |  |   |
| Property taxes levied for the next fiscal year        | 2,533,738           | 383,703                                    | 2,917,441                               |
| Delinquent property tax revenue not available         | 38,412              | 6,207                                      | 44,619                                  |
| Intergovernmental revenue not available               | -                   | 267,919                                    | 267,919                                 |
| Total deferred inflows of resources                   | <u>2,572,150</u>    | <u>657,829</u>                             | <u>3,229,979</u>                        |
| <b>Fund balances:</b>                                 |                     |  |   |
| Nonspendable:   |                     |  |   |
| Materials and supplies inventory                      | -                   | 396  | 396                                     |
| Prepays   | 61,130              | -  | 61,130                                  |
| Restricted:   |                     |  |   |
| Debt service  | -                   | 513,364                                    | 513,364                                 |
| Capital projects                                      | -                   | 472,567                                    | 472,567                                 |
| Classroom facilities maintenance                      | -                   | 438,867                                    | 438,867                                 |
| Food service operations                               | -                   | 279,794                                    | 279,794                                 |
| State funded programs                                 | -                   | 106,261                                    | 106,261                                 |
| Extracurricular programs                              | -                   | 114,506                                    | 114,506                                 |
| Other purposes  | -                   | 106,664                                    | 106,664                                 |
| Assigned:   |                     |  |   |
| Student instruction                                   | 75,579              | -  | 75,579                                  |
| Student and staff support                             | 321,188             | -  | 321,188                                 |
| Other purposes  | 406                 | -  | 406                                     |
| Unassigned (deficit)                                  | <u>4,560,423</u>    | <u>(268,287)</u>                           | <u>4,292,136</u>                        |
| Total fund balances                                   | <u>5,018,726</u>    | <u>1,764,132</u>                           | <u>6,782,858</u>                        |
| Total liabilities, deferred inflows and fund balances | <u>\$ 8,118,266</u> | <u>\$ 2,769,896</u>                        | <u>\$ 10,888,162</u>                    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2022

|   |    |             |             |
|---|----|-------------|-------------|
| <b>Total governmental fund balances</b>   |    | \$          | 6,782,858   |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>   |    |             |             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |    |             | 12,658,945  |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.  |    |             |             |
| Property taxes receivable   | \$ | 44,619      |             |
| Intergovernmental receivable  |    | 267,919     |             |
| Total   |    |             | 312,538     |
| Unamortized premiums on bonds issued are not recognized in the funds.   |    |             | (252,142)   |
| Unamortized amounts on refundings are not recognized in the funds.  |    |             | 324,292     |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.   |    |             | (7,003)     |
| The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds. |    |             |             |
| Deferred outflows - pension   |    | 1,391,758   |             |
| Deferred inflows - pension  |    | (2,775,013) |             |
| Net pension liability   |    | (3,328,131) |             |
| Deferred outflows - OPEB  |    | 142,493     |             |
| Deferred inflows - OPEB   |    | (726,930)   |             |
| Net OPEB asset  |    | 442,290     |             |
| Net OPEB liability  |    | (338,954)   |             |
| Total   |    |             | (5,192,487) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  |    |             |             |
| General obligation bonds  |    | (3,690,000) |             |
| Compensated absences  |    | (492,118)   |             |
| Total   |    |             | (4,182,118) |
| <b>Net position of governmental activities</b>  |    | \$          | 10,444,883  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Revenues:</b>                          |                     |  |   |
| Property taxes                            | \$ 3,122,677        | \$ 482,536                                 | \$ 3,605,213                            |
| Intergovernmental                         | 3,352,815           | 456,297                                    | 3,809,112                               |
| Investment earnings                       | 17,901              | 17   | 17,918                                  |
| Tuition and fees                          | 388,821             | -  | 388,821                                 |
| Extracurricular                           | 33,162              | 102,731                                    | 135,893                                 |
| Rental income                             | 2,255               | -  | 2,255                                   |
| Charges for services                      | -                   | 103,873                                    | 103,873                                 |
| Contributions and donations               | 4,333               | 30,581                                     | 34,914                                  |
| Miscellaneous                             | 78,273              | 29,707                                     | 107,980                                 |
| Total revenues                            | <u>7,000,237</u>    | <u>1,205,742</u>                           | <u>8,205,979</u>                        |
| <b>Expenditures:</b>                      |                     |  |   |
| Current:                                  |                     |  |   |
| Instruction:                              |                     |  |   |
| Regular                                   | 3,660,109           | 79,110                                     | 3,739,219                               |
| Special                                   | 363,674             | 28,198                                     | 391,872                                 |
| Other                                     | 3,268               | -  | 3,268                                   |
| Support services:                         |                     |  |   |
| Pupil                                     | 166,311             | 63,605                                     | 229,916                                 |
| Instructional staff                       | 232,301             | 193,333                                    | 425,634                                 |
| Board of education                        | 54,980              | -  | 54,980                                  |
| Administration                            | 635,956             | -  | 635,956                                 |
| Fiscal                                    | 225,770             | 8,981                                      | 234,751                                 |
| Operations and maintenance                | 672,656             | 65,654                                     | 738,310                                 |
| Pupil transportation                      | 186,093             | -  | 186,093                                 |
| Central                                   | 58,506              | 4,999                                      | 63,505                                  |
| Operation of non-instructional services:  |                     |  |   |
| Food service operations                   | -                   | 281,054                                    | 281,054                                 |
| Other non-instructional services          | 3,785               | 1,656                                      | 5,441                                   |
| Extracurricular activities                | 281,589             | 121,808                                    | 403,397                                 |
| Facilities acquisition and construction   | 626,788             | -  | 626,788                                 |
| Debt service:                             |                     |  |   |
| Principal retirement                      | -                   | 295,000                                    | 295,000                                 |
| Interest and fiscal charges               | -                   | 89,923                                     | 89,923                                  |
| Total expenditures                        | <u>7,171,786</u>    | <u>1,233,321</u>                           | <u>8,405,107</u>                        |
| Excess of expenditures over revenues      | <u>(171,549)</u>    | <u>(27,579)</u>                            | <u>(199,128)</u>                        |
| <b>Other financing sources:</b>           |                     |  |   |
| Sale of assets                            | 11,341              | -  | 11,341                                  |
| Total other financing sources             | <u>11,341</u>       | <u>-</u>                                   | <u>11,341</u>                           |
| Net change in fund balances               | (160,208)           | (27,579)                                   | (187,787)                               |
| <b>Fund balances at beginning of year</b> | <u>5,178,934</u>    | <u>1,791,711</u>                           | <u>6,970,645</u>                        |
| <b>Fund balances at end of year</b>       | <u>\$ 5,018,726</u> | <u>\$ 1,764,132</u>                        | <u>\$ 6,782,858</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   |                  |                       |
|---|------------------|-----------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$               | (187,787)             |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                  |                       |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  |                  |                       |
| Capital asset additions   | \$ 696,190       |                       |
| Current year depreciation   | <u>(756,346)</u> |                       |
| Total   |                  | (60,156)              |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                       |
| Property taxes  | (20,899)         |                       |
| Intergovernmental   | <u>251,995</u>   |                       |
| Total   |                  | 231,096               |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.  |                  |                       |
|   |                  | 295,000               |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: |                  |                       |
| Change in accrued interest payable  | 478              |                       |
| Amortization of bond premiums   | 24,206           |                       |
| Amortization of deferred charges  | <u>(31,132)</u>  |                       |
| Total   |                  | (6,448)               |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.   |                  |                       |
| Pension   |                  | 487,868               |
| OPEB  |                  | 10,198                |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.  |                  |                       |
| Pension   |                  | 71,340                |
| OPEB  |                  | 42,435                |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                  |                       |
|   |                  | <u>(21,258)</u>       |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>        | <b><u>862,288</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

|   | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Revenues:</b>                            |                         |                     |                     |   |
| Property taxes                              | \$ 2,986,910            | \$ 2,986,910        | \$ 3,100,872        | \$ 113,962  |
| Intergovernmental                           | 3,229,216               | 3,229,216           | 3,352,424           | 123,208   |
| Investment earnings                         | 17,243                  | 17,243              | 17,901              | 658   |
| Tuition and fees                            | 375,897                 | 375,897             | 390,239             | 14,342  |
| Rental income                               | 2,172                   | 2,172               | 2,255               | 83  |
| Miscellaneous                               | 74,362                  | 74,362              | 77,199              | 2,837   |
| <b>Total revenues</b>                       | <u>6,685,800</u>        | <u>6,685,800</u>    | <u>6,940,890</u>    | <u>255,090</u>  |
| <b>Expenditures:</b>                        |                         |                     |                     |   |
| Current:                                    |                         |                     |                     |   |
| Instruction:                                |                         |                     |                     |   |
| Regular                                     | 3,579,333               | 3,529,333           | 3,734,450           | (205,117)   |
| Special                                     | 361,363                 | 361,363             | 377,024             | (15,661)  |
| Other                                       | 3,132                   | 3,132               | 3,268               | (136)   |
| Support services:                           |                         |                     |                     |   |
| Pupil                                       | 175,518                 | 175,518             | 183,125             | (7,607)   |
| Instructional staff                         | 227,505                 | 227,505             | 237,365             | (9,860)   |
| Board of education                          | 70,542                  | 70,542              | 73,599              | (3,057)   |
| Administration                              | 626,190                 | 626,190             | 653,328             | (27,138)  |
| Fiscal                                      | 238,463                 | 238,463             | 248,797             | (10,334)  |
| Operations and maintenance                  | 858,776                 | 858,776             | 895,993             | (37,217)  |
| Pupil transportation                        | 228,219                 | 228,219             | 238,110             | (9,891)   |
| Central                                     | 64,655                  | 64,655              | 67,457              | (2,802)   |
| Operation of non-instructional services:    |                         |                     |                     |   |
| Other non-instructional services            | 4,017                   | 4,017               | 4,191               | (174)   |
| Extracurricular activities                  | 243,604                 | 243,604             | 254,161             | (10,557)  |
| Facilities acquisition and construction     | 600,753                 | 600,753             | 626,788             | (26,035)  |
| <b>Total expenditures</b>                   | <u>7,282,070</u>        | <u>7,232,070</u>    | <u>7,597,656</u>    | <u>(365,586)</u>  |
| Excess of expenditures<br>over revenues     | <u>(596,270)</u>        | <u>(546,270)</u>    | <u>(656,766)</u>    | <u>(110,496)</u>  |
| <b>Other financing sources (uses):</b>      |                         |                     |                     |   |
| Refund of prior year's expenditures         | -                       | -                   | 67                  | 67  |
| Transfers in                                | 40,000                  | 40,000              | -                   | (40,000)  |
| Advances (out)                              | -                       | (50,000)            | (50,000)            | -   |
| Sale of capital assets                      | -                       | -                   | 11,341              | 11,341  |
| <b>Total other financing sources (uses)</b> | <u>40,000</u>           | <u>(10,000)</u>     | <u>(38,592)</u>     | <u>(28,592)</u>   |
| Net change in fund balance                  | (556,270)               | (556,270)           | (695,358)           | (139,088)   |
| <b>Fund balance at beginning of year</b>    | 4,634,704               | 4,634,704           | 4,634,704           | -   |
| <b>Prior year encumbrances appropriated</b> | 611,820                 | 611,820             | 611,820             | -   |
| <b>Fund balance at end of year</b>          | <u>\$ 4,690,254</u>     | <u>\$ 4,690,254</u> | <u>\$ 4,551,166</u> | <u>\$ (139,088)</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

Strasburg-Franklin 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 and provides educational services as authorized by State statute and/or Federal guidelines. The Board controls the District’s one facility, staffed by 14 classified personnel, 41 certificated teaching personnel and 6 administrators who provide service to 584 students and other community members.

There have been schools in Franklin Township, Tuscarawas County, Ohio, dating back to 1816. However, the Strasburg-Franklin Local School District (the “District”) was officially formed in 1946, with the closing of the last of six township schools, and the transfer of those students to the school buildings in town for their education.

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

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

**A. Reporting Entity**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Joint Vocational District

The Joint Vocational District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational District’s Board of Education is comprised of representatives from the Board of Education of each participating district. The Joint Vocational District’s Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District’s students may attend the Joint Vocational District. Each participating District’s control is limited to its representation on the Joint Vocational District’s Board of Education.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC, a jointly governed organization which provides computer services to the districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of 30 member districts; however, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

Strasburg Enterprise Zone Committee

The Strasburg Enterprise Zone Committee (Enterprise Zone) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. The Enterprise Zone Committee has seven members, consisting of three members appointed by Strasburg Village Council, the Mayor of the Village, two business people, and one member appointed by the Strasburg-Franklin Local Board of Education. The committee has the authority to negotiate tax abatement agreements with current and prospective businesses located in the Enterprise Zone. There is no cost associated with being a member of this committee. The continued existence of this committee is not dependent upon the District's continued participation and no equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan (the "Council") is a shared risk pool, with participants from Stark, Summit and Portage Counties. The Council is governed by an assembly which consists of one representative from each participating district (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council receipts are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 6057 Strip Avenue NW, North Canton, Ohio 44720.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

The following is the District's major governmental fund:

*General fund* -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District has no fiduciary funds.

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

**D. Basis of Accounting**

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

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements.

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

**E. Budgets**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Although the legal level of control was established at the fund level of expenditures, the District has elected to present the budgetary statement comparison at the fund and function level of expenditures. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statement reflects the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

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



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**F. Cash and Cash Equivalents**

During fiscal year 2022, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours notice in advance of all deposits and withdrawals exceeding \$100 million is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State statute. Interest revenue credited to the general fund during fiscal year 2022 amounted to \$17,901, which includes \$4,620 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

| <u>Description</u>                | <u>Useful Lives</u> |
|-----------------------------------|---------------------|
| Buildings and Improvements        | 20 - 50 years       |
| Furniture, Fixtures and Equipment | 5 - 20 years        |
| Vehicles                          | 8 - 10 years        |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable” and “due to/due from other funds.” These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

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

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

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**L. Fund Balance**

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

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

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for scholarships.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Pensions/Other Postemployment Benefits (OPEB)**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2022.

**S. Issuance Costs, Bond Premium and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

**T. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the District.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2022 included the following individual fund deficits:

| <u>Nonmajor funds</u>                            | <u>Deficit</u> |
|--|----------------|
| Elementary and Secondary School Emergency Relief | \$ 90,300      |
| IDEA Part B                                      | 73,501         |
| Title I  | 78,339         |
| Improving Teacher Quality                        | 25,779         |
| Miscellaneous Federal Grants                     | 368            |

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

**C. Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General and various Special Revenue funds for the year ended June 30, 2022. Furthermore, bank to book reconciliation issues were noted throughout the fiscal year including the handling of stale outstanding checks.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$8,800 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2022, the carrying amount of all District deposits was \$634,728. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2022, \$1,199,474 of the District’s bank balance of \$1,678,361 was exposed to custodial risk as discussed below, while \$478,887 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2022, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2022, the District had the following investments and maturities:

| <u>Measurement/<br/>Investment type</u> | <u>Measurement<br/>Value</u> | <u>Investment<br/>Maturities<br/>6 months or<br/>less</u> |
|---|------------------------------|---|
| <i>Amortized Cost:</i>                  |                              |   |
| STAR Ohio                               | <u>\$ 6,071,442</u>          | <u>\$ 6,071,442</u>                                       |



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2022:

| <u>Measurement/<br/>Investment type</u> | <u>Measurement<br/>Amount</u> | <u>% of Total</u> |
|---|-------------------------------|-------------------|
| STAR Ohio                               | <u>\$ 6,071,442</u>           | <u>100.00</u>     |

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2022:

|  |                     |
|--|---------------------|
| <u>Cash and investments per note</u>                               |                     |
| Carrying amount of deposits  | \$ 634,728          |
| Investments  | 6,071,442           |
| Cash on hand   | <u>8,800</u>        |
| Total  | <u>\$ 6,714,970</u> |
| <br><u>Cash and cash equivalents per statement of net position</u> |                     |
| Governmental activities  | <u>\$ 6,714,970</u> |
| Total  | <u>\$ 6,714,970</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2022, as reported on the fund statements consist of the following individual interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable funds</u>        | <u>Amount</u>    |
|------------------------|-----------------------------|------------------|
| General fund           | Nonmajor governmental funds | <u>\$ 61,642</u> |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

B. Due to/from other funds consisted of the following at June 30, 2022, as reported on the fund statement:

| <u>Receivable fund</u> | <u>Payable fund</u>         | <u>Amount</u>     |
|------------------------|-----------------------------|-------------------|
| General fund           | Nonmajor governmental funds | <u>\$ 257,588</u> |

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2022 represent the collection of calendar year 2021 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 2021 became a lien on December 31, 2020, 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 Tuscarawas County. The County Auditors periodically advance 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 as an advance at June 30, 2022 was \$474,934 in the general fund, \$56,881 in the bond retirement fund (a nonmajor governmental fund), \$6,385 in the classroom facilities fund (a nonmajor governmental fund), and \$13,457 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2021 was \$453,219 in the general fund, \$54,714 in the bond retirement fund (a nonmajor governmental fund), \$6,011 in the classroom facility fund (a nonmajor governmental fund) and \$12,811 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

|   | 2021 Second<br>Half Collections |                | 2022 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 118,829,350                  | 94.81          | \$ 122,000,390                 | 94.61          |
| Public utility personal                           | <u>6,510,310</u>                | <u>5.19</u>    | <u>6,946,300</u>               | <u>5.39</u>    |
| Total   | <u>\$ 125,339,660</u>           | <u>100.00</u>  | <u>\$ 128,946,690</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$59.30                         |                | \$59.10                        |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2022 consisted of property taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

|                                 |                     |
|---------------------------------|---------------------|
| <b>Governmental activities:</b> |                     |
| Property taxes                  | \$ 3,513,717        |
| Intergovernmental               | <u>267,991</u>      |
| Total                           | <u>\$ 3,781,708</u> |

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

|   | Balance              |                    |                   | Balance              |
|---|----------------------|--------------------|-------------------|----------------------|
|   | <u>06/30/21</u>      | <u>Additions</u>   | <u>Deductions</u> | <u>06/30/22</u>      |
| <b>Governmental activities:</b>               |                      |                    |                   |                      |
| <i>Capital assets, not being depreciated:</i> |                      |                    |                   |                      |
| Land  | \$ 991,845           | \$ 626,788         | \$ -              | \$ 1,618,633         |
| Total capital assets, not being depreciated   | <u>991,845</u>       | <u>626,788</u>     | <u>-</u>          | <u>1,618,633</u>     |
| <i>Capital assets, being depreciated:</i>     |                      |                    |                   |                      |
| Buildings and improvements                    | 19,248,405           | -                  | -                 | 19,248,405           |
| Furniture, fixtures and equipment             | 512,730              | 69,402             | -                 | 582,132              |
| Vehicles                                      | 588,325              | -                  | -                 | 588,325              |
| Total capital assets, being depreciated       | <u>20,349,460</u>    | <u>69,402</u>      | <u>-</u>          | <u>20,418,862</u>    |
| <i>Less: accumulated depreciation:</i>        |                      |                    |                   |                      |
| Buildings and improvements                    | (7,875,048)          | (641,914)          | -                 | (8,516,962)          |
| Furniture, fixtures and equipment             | (345,249)            | (83,140)           | -                 | (428,389)            |
| Vehicles                                      | (401,907)            | (31,292)           | -                 | (433,199)            |
| Total accumulated depreciation                | <u>(8,622,204)</u>   | <u>(756,346)</u>   | <u>-</u>          | <u>(9,378,550)</u>   |
| Governmental activities capital assets, net   | <u>\$ 12,719,101</u> | <u>\$ (60,156)</u> | <u>\$ -</u>       | <u>\$ 12,658,945</u> |

Depreciation expense was charged to governmental functions as follows:

Instruction:

|         |            |
|---------|------------|
| Regular | \$ 604,238 |
| Special | 641        |

Support services:

|                            |                   |
|----------------------------|-------------------|
| Instructional staff        | 302               |
| Administration             | 82,164            |
| Operations and maintenance | 32,603            |
| Pupil transportation       | 18,825            |
| Extracurricular activities | 9,096             |
| Food service operations    | <u>8,477</u>      |
| Total depreciation expense | <u>\$ 756,346</u> |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2022, the following changes occurred in governmental activities long-term obligations.

|   | <u>Balance</u><br><u>06/30/21</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Balance</u><br><u>06/30/22</u> | <u>Amounts</u><br><u>Due in</u><br><u>One Year</u> |
|---|-----------------------------------|------------------|-----------------------|-----------------------------------|--|
| <b>Governmental activities:</b>                         |                                   |                  |                       |                                   |  |
| General obligation bonds<br>(refunding), series 2012:   |                                   |                  |                       |                                   |  |
| Current interest serial bonds                           | \$ 3,985,000                      | \$ -             | \$ (295,000)          | 3,690,000                         | \$ 300,000   |
| Total refunding bonds                                   | <u>3,985,000</u>                  | <u>-</u>         | <u>(295,000)</u>      | <u>3,690,000</u>                  | <u>300,000</u>                                     |
| Compensated absences                                    | 475,733                           | 43,267           | (26,882)              | 492,118                           | 12,479   |
| Net pension liability:                                  |                                   |                  |                       |                                   |  |
| STRS  | 5,055,031                         | -                | (2,372,891)           | 2,682,140                         | -  |
| SERS  | <u>1,073,519</u>                  | <u>-</u>         | <u>(427,528)</u>      | <u>645,991</u>                    | <u>-</u>   |
| Total net pension liability                             | <u>6,128,550</u>                  | <u>-</u>         | <u>(2,800,419)</u>    | <u>3,328,131</u>                  | <u>-</u>   |
| Net OPEB liability:                                     |                                   |                  |                       |                                   |  |
| SERS  | <u>364,167</u>                    | <u>-</u>         | <u>(25,213)</u>       | <u>338,954</u>                    | <u>-</u>   |
| Total net OPEB liability                                | <u>364,167</u>                    | <u>-</u>         | <u>(25,213)</u>       | <u>338,954</u>                    | <u>-</u>   |
| Total long-term obligations,<br>governmental activities | <u>\$ 10,953,450</u>              | <u>\$ 43,267</u> | <u>\$ (3,147,514)</u> | <u>7,849,203</u>                  | <u>\$ 312,479</u>                                  |
| Add: Unamortized premium on refunding                   |                                   |                  |                       | <u>252,142</u>                    |  |
| Total on the statement of net position                  |                                   |                  |                       | <u>\$ 8,101,345</u>               |  |

B. *Refunding Bonds - Series 2012*: On October 30, 2012, the District issued \$5,329,999 in general obligation bonds to refund a portion of the Ohio Facilities Construction Commission (OFCC) general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$5,245,000 and \$84,999, respectively. The interest rates on the current interest bonds range from 1.50% to 3.00%. The capital appreciation bonds matured December 1, 2020 (effective interest 27.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The bonds were issued for a twenty year period with a final maturity at December 1, 2032. Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

The bonds were sold at a premium of \$484,116. Net proceeds of \$5,922,640 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2022, \$3,725,000 of the defeased bonds are still outstanding.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

| Fiscal<br>Year Ended | Series 2012 Refunding<br>Current Interest Bonds |                   |                     |
|----------------------|---|-------------------|---------------------|
|                      | Principal                                       | Interest          | Total               |
| 2023                 | \$ 300,000                                      | \$ 83,932         | \$ 383,932          |
| 2024                 | 305,000   | 77,902            | 382,902             |
| 2025                 | 315,000   | 71,722            | 386,722             |
| 2026                 | 320,000   | 65,352            | 385,352             |
| 2027                 | 325,000   | 58,659            | 383,659             |
| 2028 - 2032          | 1,750,000                                       | 172,380           | 1,922,380           |
| 2033                 | <u>375,000</u>                                  | <u>5,625</u>      | <u>380,625</u>      |
| Total                | <u>\$ 3,690,000</u>                             | <u>\$ 535,572</u> | <u>\$ 4,225,572</u> |

Compensated absences will be paid from the general fund.

Net pension liability - see Note 12 for detail. The District pays obligations related to employee compensation from the fund benefiting from their service.

Net OPEB liability/asset - see Note 13 for detail. The District pays obligations related to employee compensation from the fund benefiting from their service.

The District's overall debt margin is \$8,428,566 (including available funds of \$513,364) and the unvoted debt margin is \$128,947.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2022, the District contracted with Liberty Mutual for property insurance. Liberty Mutual also covers boiler and machinery with a \$1,000 deductible and inland marine coverage with a \$250 deductible.

Professional and general liability is protected by Liberty Mutual with a \$3,000,000 aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible. Vehicles are covered by Liberty Mutual and hold a \$100 deductible for comprehensive and \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

The District participates in the Stark County Schools Council of Governments Health Benefit Plan (the "Council"), a risk sharing pool to provide medical/surgical benefits for employees (Note 2.A.). The District's insurance program for health care, through the Council, is administered by Mutual Health Services Company and Aultcare Corporation. Payments are made to the Council for monthly premiums, monthly stop-loss premiums and administrative charges. The District submits monthly payments for family plans and individual coverage to the Stark County Educational Service Center who serves as the fiscal agent for the Council. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Council.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation each year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave that may be accumulated for certified employees and classified employees. Upon retirement, employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government's Health Benefits Program.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

***Net Pension Liability/Net OPEB Liability/Asset***

The net pension liability/asset and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

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

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

Plan Description - The District’s 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - 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 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; or<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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$87,051 for fiscal year 2022. Of this amount, \$12,531 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers participate in STRS, 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 website at [www.strsoh.org](http://www.strsoh.org).

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

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$400,817 for fiscal year 2022. Of this amount, \$64,772 is reported as pension and postemployment benefits payable.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The net pension liability was measured as of June 30, 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 and pension expense:

|  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.016230500%        | 0.020891630%        |              |
| Proportion of the net pension liability current measurement date | <u>0.017507900%</u> | <u>0.020977327%</u> |              |
| Change in proportionate share                                    | <u>0.001277400%</u> | <u>0.000085697%</u> |              |
| Proportionate share of the net pension liability                 | \$ 645,991          | \$ 2,682,140        | \$ 3,328,131 |
| Pension expense  | \$ 5,533            | \$ (76,873)         | \$ (71,340)  |

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>SERS</u>       | <u>STRS</u>         | <u>Total</u>        |
|---|-------------------|---------------------|---------------------|
| <b>Deferred outflows of resources</b>   |                   |                     |                     |
| Differences between expected and actual experience  | \$ 62             | \$ 82,866           | \$ 82,928           |
| Changes of assumptions  | 13,603            | 744,074             | 757,677             |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 51,563            | 11,722              | 63,285              |
| Contributions subsequent to the measurement date  | <u>87,051</u>     | <u>400,817</u>      | <u>487,868</u>      |
| Total deferred outflows of resources  | <u>\$ 152,279</u> | <u>\$ 1,239,479</u> | <u>\$ 1,391,758</u> |
| <b>Deferred inflows of resources</b>  |                   |                     |                     |
| Differences between expected and actual experience  | \$ 16,753         | \$ 16,811           | \$ 33,564           |
| Net difference between projected and actual earnings on pension plan investments                                  | 332,707           | 2,311,491           | 2,644,198           |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>7,402</u>      | <u>89,849</u>       | <u>97,251</u>       |
| Total deferred inflows of resources   | <u>\$ 356,862</u> | <u>\$ 2,418,151</u> | <u>\$ 2,775,013</u> |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$487,868 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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

|                             | SERS         | STRS           | Total          |
|-----------------------------|--------------|----------------|----------------|
| Fiscal Year Ending June 30: |              |                |                |
| 2023                        | \$ (56,892)  | \$ (402,061)   | \$ (458,953)   |
| 2024                        | (53,517)     | (345,913)      | (399,430)      |
| 2025                        | (79,105)     | (374,687)      | (453,792)      |
| 2026                        | (102,120)    | (456,828)      | (558,948)      |
| Total                       | \$ (291,634) | \$ (1,579,489) | \$ (1,871,123) |

***Actuarial Assumptions - SERS***

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

|   |   |
|---|---|
| Wage inflation:                               |   |
| Current measurement date                      | 2.40%                                       |
| Prior measurement date                        | 3.00%                                       |
| Future salary increases, including inflation: |   |
| Current measurement date                      | 3.25% to 13.58%                             |
| Prior measurement date                        | 3.50% to 18.20%                             |
| COLA or ad hoc COLA:                          |   |
| Current measurement date                      | 2.00%                                       |
| Prior measurement date                        | 2.50%                                       |
| Investment rate of return:                    |   |
| Current measurement date                      | 7.00% net of system expenses                |
| Prior measurement date                        | 7.50% net of system expenses                |
| Discount rate:                                |   |
| Current measurement date                      | 7.00%                                       |
| Prior measurement date                        | 7.50%                                       |
| Actuarial cost method                         | Entry age normal (level percent of payroll) |

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategy        | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 5.28                                      |
| Total                       | <u>100.00 %</u>      |   |

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.00%. 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%). 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%, 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%), or one percentage point higher (8.00%) than the current rate.

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net pension liability | \$ 1,074,770 | \$ 645,991               | \$ 284,383  |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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:

|                                      | June 30, 2021   | June 30, 2020   |
|--------------------------------------|---|---|
| Inflation                            | 2.50%   | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation | 7.45%, net of investment<br>expenses, including inflation |
| Discount rate of return              | 7.00%   | 7.45%   |
| Payroll increases                    | 3.00%   | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   | 0.00%   |

For the June 30, 2021, actuarial valuation, 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 for the period July 1, 2011 through June 30, 2016.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's 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% was applied to all periods of projected benefit payments 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 represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net pension liability | \$ 5,022,644 | \$ 2,682,140             | \$ 704,419  |

**Changes Between Measurement Date and Reporting Date** - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

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

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

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$10,198.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$10,198 for fiscal year 2022. Of this amount, \$10,198 is reported as pension and postemployment benefits payable.

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

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. 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% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability/asset was measured as of June 30, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

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

|   | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.016756200%        | 0.020891630%        |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.017909600%</u> | <u>0.020977327%</u> |              |
| Change in proportionate share                                       | <u>0.001153400%</u> | <u>0.000085697%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 338,954          | \$ -                | \$ 338,954   |
| Proportionate share of the net OPEB asset                           | \$ -                | \$ (442,290)        | \$ (442,290) |
| OPEB expense  | \$ (7,202)          | \$ (35,233)         | \$ (42,435)  |

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>SERS</u>       | <u>STRS</u>       | <u>Total</u>      |
|---|-------------------|-------------------|-------------------|
| <b>Deferred outflows of resources</b>   |                   |                   |                   |
| Differences between expected and actual experience  | \$ 3,614          | \$ 15,751         | \$ 19,365         |
| Changes of assumptions  | 53,174            | 28,252            | 81,426            |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | 29,528            | 1,976             | 31,504            |
| Contributions subsequent to the measurement date  | <u>10,198</u>     | <u>-</u>          | <u>10,198</u>     |
| Total deferred outflows of resources  | <u>\$ 96,514</u>  | <u>\$ 45,979</u>  | <u>\$ 142,493</u> |
| <br>  |                   |                   |                   |
|   | <u>SERS</u>       | <u>STRS</u>       | <u>Total</u>      |
| <b>Deferred inflows of resources</b>  |                   |                   |                   |
| Differences between expected and actual experience  | \$ 168,814        | \$ 81,038         | \$ 249,852        |
| Net difference between projected and actual earnings on OPEB plan investments                                     | 7,367             | 122,596           | 129,963           |
| Changes of assumptions  | 46,417            | 263,860           | 310,277           |
| Difference between employer contributions and proportionate share of contributions/ change in proportionate share | <u>26,883</u>     | <u>9,955</u>      | <u>36,838</u>     |
| Total deferred inflows of resources   | <u>\$ 249,481</u> | <u>\$ 477,449</u> | <u>\$ 726,930</u> |

\$10,198 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2023.

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

|                             | SERS         | STRS         | Total        |
|-----------------------------|--------------|--------------|--------------|
| Fiscal Year Ending June 30: |              |              |              |
| 2023                        | \$ (42,225)  | \$ (125,146) | \$ (167,371) |
| 2024                        | (42,273)     | (122,079)    | (164,352)    |
| 2025                        | (37,161)     | (115,597)    | (152,758)    |
| 2026                        | (28,388)     | (51,497)     | (79,885)     |
| 2027                        | (12,419)     | (17,563)     | (29,982)     |
| Thereafter                  | (699)        | 412          | (287)        |
| Total                       | \$ (163,165) | \$ (431,470) | \$ (594,635) |

***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.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

|  |   |
|--|---|
| Wage inflation:  |   |
| Current measurement date   | 2.40%   |
| Prior measurement date   | 3.00%   |
| Future salary increases, including inflation:  |   |
| Current measurement date   | 3.25% to 13.58%   |
| Prior measurement date   | 3.50% to 18.20%   |
| Investment rate of return:   |   |
| Current measurement date   | 7.00% net of investment<br>expense, including inflation |
| Prior measurement date   | 7.50% net of investment<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Current measurement date   | 1.92%   |
| Prior measurement date   | 2.45%   |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Current measurement date   | 2.27%   |
| Prior measurement date   | 2.63%   |
| Medical trend assumption:  |   |
| Current measurement date   |   |
| Medicare   | 5.125 to 4.400%   |
| Pre-Medicare   | 6.750 to 4.400%   |
| Prior measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

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 2015 through 2020 and was adopted by the Board in 2021. 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, 7.00%, 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, 2020 five-year experience study, are summarized as follows:

| Asset Class                 | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash                        | 2.00 %               | (0.33) %                                  |
| US Equity                   | 24.75                | 5.72                                      |
| Non-US Equity Developed     | 13.50                | 6.55                                      |
| Non-US Equity Emerging      | 6.75                 | 8.54                                      |
| Fixed Income/Global Bonds   | 19.00                | 1.14                                      |
| Private Equity              | 11.00                | 10.03                                     |
| Real Estate/Real Assets     | 16.00                | 5.41                                      |
| Multi-Asset Strategy        | 4.00                 | 3.47                                      |
| Private Debt/Private Credit | 3.00                 | 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%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

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

***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, what the 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 (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

|  | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|--|-------------|--------------------------|-------------|
| District's proportionate share of the net OPEB liability | \$ 420,005  | \$ 338,954               | \$ 274,205  |
|  |             | Current<br>Trend Rate    |             |
|  | 1% Decrease | Current<br>Trend Rate    | 1% Increase |
| District's proportionate share of the net OPEB liability | \$ 260,967  | \$ 338,954               | \$ 443,121  |

***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, compared with June 30, 2020, are presented below:

|                                      | June 30, 2021   |          | June 30, 2020   |          |
|--------------------------------------|---|----------|---|----------|
| Inflation                            | 2.50%   |          | 2.50%   |          |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.00%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |          | 0.00%   |          |
| Discount rate of return              | 7.00%   |          | 7.45%   |          |
| Blended discount rate of return      | N/A   |          | N/A   |          |
| Health care cost trends              | Initial   | Ultimate | Initial   | Ultimate |
| Medical                              |   |          |   |          |
| Pre-Medicare                         | 5.00%   | 4.00%    | 5.00%   | 4.00%    |
| Medicare                             | -16.18%   | 4.00%    | -6.69%  | 4.00%    |
| Prescription Drug                    |   |          |   |          |
| Pre-Medicare                         | 6.50%   | 4.00%    | 6.50%   | 4.00%    |
| Medicare                             | 29.98%  | 4.00%    | 11.87%  | 4.00%    |

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

For healthy retirees the 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. For disabled retirees, 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 for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

**Benefit Term Changes Since the Prior Measurement Date** - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | 1% Decrease | Current<br>Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| District's proportionate share<br>of the net OPEB asset | \$ 373,224  | \$ 442,290               | \$ 499,984  |
|   |             |                          |             |
|   | 1% Decrease | Current<br>Trend Rate    | 1% Increase |
| District's proportionate share<br>of the net OPEB asset | \$ 497,646  | \$ 442,290               | \$ 373,837  |

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

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



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

|   | <u>General fund</u> |
|---|---------------------|
| Budget basis                            | \$ (695,358)        |
| Net adjustment for revenue accruals     | 22,196              |
| Net adjustment for expenditure accruals | 92,149              |
| Net adjustment for other sources/uses   | 49,933              |
| Funds budgeted elsewhere                | (9,506)             |
| Adjustment for encumbrances             | 380,378             |
| GAAP basis                              | <u>\$ (160,208)</u> |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

**NOTE 16 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2022, the District received COVID-19 funding. The District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**NOTE 17 - SET-ASIDES**

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 17 - SET-ASIDES - (Continued)**

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2021             | \$ -                            |
| Current year set-aside requirement          | 102,980                         |
| Current year offsets                        | <u>(145,061)</u>                |
| Total                                       | <u>\$ (42,081)</u>              |
| Balance carried forward to fiscal year 2023 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2022             | <u>\$ -</u>                     |

**NOTE 18 - OTHER COMMITMENTS**

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

| <u>Fund Type</u>   | <u>Year-End<br/>Encumbrances</u> |
|--------------------|----------------------------------|
| General            | \$ 381,479                       |
| Other governmental | <u>146,307</u>                   |
| Total              | <u>\$ 527,786</u>                |

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REQUIRED SUPPLEMENTARY INFORMATION

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

|  | <u>2022</u> | <u>2021</u>  | <u>2020</u>  | <u>2019</u> |
|--|-------------|--------------|--------------|-------------|
| District's proportion of the net pension liability   | 0.01750790% | 0.01623050%  | 0.01677020%  | 0.01657950% |
| District's proportionate share of the net pension liability  | \$ 645,991  | \$ 1,073,519 | \$ 1,003,390 | \$ 949,539  |
| District's covered payroll   | \$ 641,007  | \$ 565,536   | \$ 553,044   | \$ 494,926  |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 100.78%     | 189.82%      | 181.43%      | 191.85%     |
| Plan fiduciary net position as a percentage of the total pension liability                         | 82.86%      | 68.55%       | 70.85%       | 71.36%      |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--------------|--------------|--------------|--------------|--------------|
| 0.01816430%  | 0.01958290%  | 0.01977800%  | 0.02117600%  | 0.02117600%  |
| \$ 1,085,277 | \$ 1,433,288 | \$ 1,128,552 | \$ 1,071,705 | \$ 1,259,269 |
| \$ 656,436   | \$ 492,936   | \$ 595,425   | \$ 615,346   | \$ 581,199   |
| 165.33%      | 290.77%      | 189.54%      | 174.16%      | 216.67%      |
| 69.50%       | 62.98%       | 69.16%       | 71.70%       | 65.52%       |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST NINE FISCAL YEARS

|  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  |
|--|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability   | 0.020977327% | 0.02089163%  | 0.02156619%  | 0.02147556%  |
| District's proportionate share of the net pension liability  | \$ 2,682,140 | \$ 5,055,031 | \$ 4,769,233 | \$ 4,721,993 |
| District's covered payroll   | \$ 2,617,150 | \$ 2,524,607 | \$ 2,544,379 | \$ 2,519,950 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 102.48%      | 200.23%      | 187.44%      | 187.38%      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 87.78%       | 75.48%       | 77.40%       | 77.31%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  |
|--------------|--------------|--------------|--------------|--------------|
| 0.02138658%  | 0.02198678%  | 0.02304450%  | 0.02179425%  | 0.02179425%  |
| \$ 5,080,428 | \$ 7,359,638 | \$ 6,368,826 | \$ 5,300,688 | \$ 6,314,145 |
| \$ 2,288,707 | \$ 2,347,914 | \$ 2,339,350 | \$ 2,226,592 | \$ 2,311,838 |
| 221.98%      | 313.45%      | 272.25%      | 238.06%      | 273.12%      |
| 75.30%       | 66.80%       | 72.10%       | 74.70%       | 69.30%       |



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2022</u>     | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 87,051       | \$ 89,741       | \$ 79,175       | \$ 74,661       |
| Contributions in relation to the contractually required contribution | <u>(87,051)</u> | <u>(89,741)</u> | <u>(79,175)</u> | <u>(74,661)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll   | \$ 621,793      | \$ 641,007      | \$ 565,536      | \$ 553,044      |
| Contributions as a percentage of covered payroll                     | 14.00%          | 14.00%          | 14.00%          | 13.50%          |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u>     | <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>     | <u>2013</u>     |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 66,815       | \$ 91,901       | \$ 69,011       | \$ 78,477       | \$ 85,287       | \$ 80,438       |
| <u>(66,815)</u> | <u>(91,901)</u> | <u>(69,011)</u> | <u>(78,477)</u> | <u>(85,287)</u> | <u>(80,438)</u> |
| <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| \$ 494,926      | \$ 656,436      | \$ 492,936      | \$ 595,425      | \$ 615,346      | \$ 581,199      |
| 13.50%          | 14.00%          | 14.00%          | 13.18%          | 13.86%          | 13.84%          |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 400,817       | \$ 366,401       | \$ 353,445       | \$ 356,213       |
| Contributions in relation to the contractually required contribution | <u>(400,817)</u> | <u>(366,401)</u> | <u>(353,445)</u> | <u>(356,213)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 2,862,979     | \$ 2,617,150     | \$ 2,524,607     | \$ 2,544,379     |
| Contributions as a percentage of covered payroll                     | 14.00%           | 14.00%           | 14.00%           | 14.00%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 352,793       | \$ 320,419       | \$ 328,708       | \$ 327,509       | \$ 289,457       | \$ 300,539       |
| <u>(352,793)</u> | <u>(320,419)</u> | <u>(328,708)</u> | <u>(327,509)</u> | <u>(289,457)</u> | <u>(300,539)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 2,519,950     | \$ 2,288,707     | \$ 2,347,914     | \$ 2,339,350     | \$ 2,226,592     | \$ 2,311,838     |
| 14.00%           | 14.00%           | 14.00%           | 14.00%           | 13.00%           | 13.00%           |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

|   | <u>2022</u> |    | <u>2021</u> |    | <u>2020</u> |    | <u>2019</u> |    | <u>2018</u> |    | <u>2017</u> |
|---|-------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| District's proportion of the net OPEB liability   | 0.01790960% |    | 0.01675620% |    | 0.01699610% |    | 0.01674770% |    | 0.01828860% |    | 0.01980680% |
| District's proportionate share of the net OPEB liability  | \$ 338,954  | \$ | 364,167     | \$ | 427,416     | \$ | 464,626     | \$ | 490,818     | \$ | 564,567     |
| District's covered payroll  | \$ 641,007  | \$ | 565,536     | \$ | 553,044     | \$ | 494,926     | \$ | 656,436     | \$ | 492,936     |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 52.88%      |    | 64.39%      |    | 77.28%      |    | 93.88%      |    | 74.77%      |    | 114.53%     |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 24.08%      |    | 18.17%      |    | 15.57%      |    | 13.57%      |    | 12.46%      |    | 11.49%      |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

|   | <u>2022</u>  |    | <u>2021</u> |    | <u>2020</u> |    | <u>2019</u> |    | <u>2018</u> |    | <u>2017</u> |
|---|--------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| District's proportion of the net OPEB liability/asset   | 0.020977327% |    | 0.02089163% |    | 0.02156619% |    | 0.02147556% |    | 0.02138658% |    | 0.02198678% |
| District's proportionate share of the net OPEB liability/(asset)                                      | \$ (442,290) | \$ | (367,170)   | \$ | (357,188)   | \$ | (345,090)   | \$ | 834,425     | \$ | 1,175,859   |
| District's covered payroll  | \$ 2,617,150 | \$ | 2,524,607   | \$ | 2,544,379   | \$ | 2,519,950   | \$ | 2,288,707   | \$ | 2,347,914   |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 16.90%       |    | 14.54%      |    | 14.04%      |    | 13.69%      |    | 36.46%      |    | 50.08%      |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset                         | 174.73%      |    | 182.10%     |    | 174.70%     |    | 176.00%     |    | 47.10%      |    | 37.30%      |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|   | <u>2022</u>     | <u>2021</u>     | <u>2020</u>    | <u>2019</u>     |
|---|-----------------|-----------------|----------------|-----------------|
| Contractually required contribution                                     | \$ 10,198       | \$ 10,843       | \$ 9,483       | \$ 12,248       |
| Contributions in relation to the<br>contractually required contribution | <u>(10,198)</u> | <u>(10,843)</u> | <u>(9,483)</u> | <u>(12,248)</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>     |
| District's covered payroll  | \$ 621,793      | \$ 641,007      | \$ 565,536     | \$ 553,044      |
| Contributions as a percentage of<br>covered payroll                     | 0.00%           | 0.00%           | 2.26%          | 1.42%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u>     | <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    |
|-----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 11,202       | \$ 9,302       | \$ 9,858       | \$ 4,629       | \$ 4,629       | \$ 4,301       |
| <u>(11,202)</u> | <u>(9,302)</u> | <u>(9,858)</u> | <u>(4,629)</u> | <u>(4,629)</u> | <u>(4,301)</u> |
| <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| \$ 494,926      | \$ 656,436     | \$ 492,936     | \$ 595,425     | \$ 615,346     | \$ 581,199     |
| 2.00%           | 0.78%          | 0.75%          | 0.74%          | 0.75%          | 23.63%         |



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution                                  | \$ -         | \$ -         | \$ -         | \$ -         |
| Contributions in relation to the contractually required contribution | <u>-</u>     | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| District's covered payroll   | \$ 2,862,979 | \$ 2,617,150 | \$ 2,524,607 | \$ 2,544,379 |
| Contributions as a percentage of covered payroll                     | 0.00%        | 0.00%        | 0.00%        | 0.00%        |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ -         | \$ -         | \$ -         | \$ -         | \$ 22,266    | \$ 23,118    |
| -            | -            | -            | -            | (22,266)     | (23,118)     |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$ 2,519,950 | \$ 2,288,707 | \$ 2,347,914 | \$ 2,339,350 | \$ 2,226,592 | \$ 2,311,838 |
| 0.00%        | 0.00%        | 0.00%        | 1.00%        | 1.00%        | 1.00%        |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022.

(Continued)

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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PENSION (CONTINUED)

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*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts reported for fiscal years 2014-2022.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms :*

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

*Changes in assumptions :*

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.
- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The discussion and analysis of the Strasburg-Franklin Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to those respective statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2021 are as follows:

- The District's net position increased \$776,989 or 8.82% from the June 30, 2020 net position.
- Revenues for governmental activities totaled \$8,491,735 in fiscal year 2021. Of this total, \$6,767,407 or 79.69% consisted of general revenues while program revenues accounted for the balance of \$1,724,328 or 20.31%.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's performance, demographic and socioeconomic factors and willingness of the community to Support the District. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

In the statement of net position and the statement of activities, the District is classified into governmental activities. All of the District's non-fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The District's major funds are described on page 11. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-59 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62 through 77 of this report.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The following table provides a summary of the District's net position at June 30, 2021 and 2020.

|  | <b>Net Position</b>                       |   |
|--|---|---|
|  | Governmental<br>Activities<br><u>2021</u> | Governmental<br>Activities<br><u>2020</u> |
| <b><u>Assets</u></b>                         |   |   |
| Current and other assets                     | \$ 10,550,207                             | \$ 9,676,218                              |
| Net OPEB asset                               | 367,170                                   | 357,188                                   |
| Capital assets, net                          | <u>12,719,101</u>                         | <u>13,226,900</u>                         |
| Total assets                                 | <u>23,636,478</u>                         | <u>23,260,306</u>                         |
| <b><u>Deferred outflows of resources</u></b> |   |   |
| Deferred Charge on Refunding                 | 355,424                                   | 386,556                                   |
| Pensions                                     | 1,067,514                                 | 1,077,573                                 |
| OPEB   | <u>130,773</u>                            | <u>95,902</u>                             |
| Total deferred outflows of resources         | <u>1,553,711</u>                          | <u>1,560,031</u>                          |
| <b><u>Liabilities</u></b>                    |   |   |
| Current liabilities                          | 644,397                                   | 891,203                                   |
| Long-term liabilities:                       |   |   |
| Due within one year                          | 321,882                                   | 360,353                                   |
| Due in more than one year:                   |   |   |
| Net pension liability                        | 6,128,550                                 | 5,772,623                                 |
| Net OPEB liability                           | 364,167                                   | 427,416                                   |
| Other amounts due in more than one year      | <u>4,415,199</u>                          | <u>4,709,891</u>                          |
| Long-term liabilities                        | <u>11,229,798</u>                         | <u>11,270,283</u>                         |
| Total liabilities                            | <u>11,874,195</u>                         | <u>12,161,486</u>                         |
| <b><u>Deferred inflows of resources</u></b>  |   |   |
| Property taxes                               | 2,856,331                                 | 2,804,539                                 |
| Pensions                                     | 209,558                                   | 435,975                                   |
| OPEB   | <u>667,510</u>                            | <u>612,731</u>                            |
| Total deferred inflows of resources          | <u>3,733,399</u>                          | <u>3,853,245</u>                          |
| <b><u>Net position</u></b>                   |   |   |
| Net investment in capital assets             | 8,813,177                                 | 9,291,536                                 |
| Restricted                                   | 1,798,322                                 | 1,399,823                                 |
| Unrestricted (deficit)                       | <u>(1,028,904)</u>                        | <u>(1,885,753)</u>                        |
| Total net position                           | <u>\$ 9,582,595</u>                       | <u>\$ 8,805,606</u>                       |



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

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

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

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

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

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

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

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

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$6,767,407 or 79.69% of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,724,328 or only 20.31% of total revenue.

The table below shows the change in net position for fiscal years 2021 and 2020. The table below shows the change in net position for fiscal years 2021 and 2020.

|                                    | <b>Change in Net Position</b> |                            |
|------------------------------------|-------------------------------|----------------------------|
|                                    | Governmental<br>Activities    | Governmental<br>Activities |
|                                    | <u>2021</u>                   | <u>2020</u>                |
| <b><u>Revenues</u></b>             |                               |                            |
| Program revenues:                  |                               |                            |
| Charges for services and sales     | \$ 800,090                    | \$ 740,811                 |
| Operating grants and contributions | 888,845                       | 730,520                    |
| Capital grants and contributions   | 35,393                        | -                          |
| General revenues:                  |                               |                            |
| Property taxes                     | 3,443,460                     | 3,396,139                  |
| Grants and entitlements            | 3,166,591                     | 3,015,663                  |
| Investment earnings                | 10,869                        | 91,496                     |
| Miscellaneous                      | <u>146,487</u>                | <u>130,006</u>             |
| Total revenues                     | <u>8,491,735</u>              | <u>8,104,635</u>           |

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|                                   | Governmental<br>Activities<br><u>2021</u> | Governmental<br>Activities<br><u>2020</u> |
|-----------------------------------|---|---|
| <b><u>Expenses</u></b>            |   |   |
| Program expenses:                 |   |   |
| Instruction:                      |   |   |
| Regular                           | \$ 3,886,468                              | \$ 3,983,648                              |
| Special                           | 680,006                                   | 681,804                                   |
| Other                             | 3,361                                     | 19,780                                    |
| Support services:                 |   |   |
| Pupil                             | 345,543                                   | 262,851                                   |
| Instructional staff               | 188,037                                   | 289,812                                   |
| Board of education                | 16,241                                    | 84,453                                    |
| Administration                    | 737,833                                   | 762,189                                   |
| Fiscal                            | 206,769                                   | 204,373                                   |
| Business                          | -   | 112                                       |
| Operations and maintenance        | 677,710                                   | 722,768                                   |
| Pupil transportation              | 242,291                                   | 199,457                                   |
| Central                           | 57,402                                    | 51,105                                    |
| Food service operations           | 253,697                                   | 253,994                                   |
| Other non-instructional services  | 2,796                                     | 91  |
| Extracurricular activities        | 322,742                                   | 260,560                                   |
| Interest and fiscal charges       | <u>93,850</u>                             | <u>194,005</u>                            |
| Total expenses                    | <u>7,714,746</u>                          | <u>7,971,002</u>                          |
| Change in net position            | 776,989                                   | 133,633                                   |
| Net position at beginning of year | <u>8,805,606</u>                          | <u>8,671,973</u>                          |
| Net position at end of year       | <u>\$ 9,582,595</u>                       | <u>\$ 8,805,606</u>                       |

**Governmental Activities**

The District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. The District has two limited levies up for renewal in 2021. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

As one can see, approximately 59.24% of the District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 32.04%. The remaining amount of program expenses, 8.72%, is to facilitate other obligations of the District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the District.

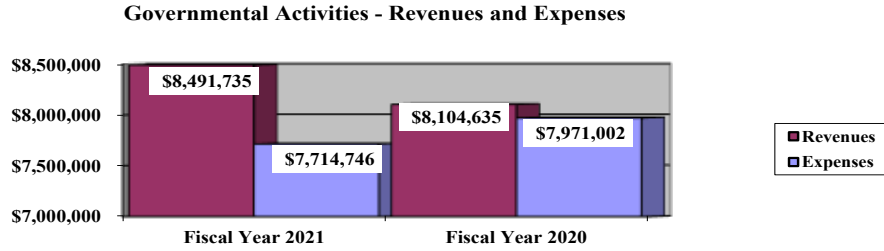
Overall, expenses of the governmental activities decreased \$256,256 or 3.21%. This decrease is primarily the result of a decrease in the areas of instruction and support services.

On an accrual basis, the District reported \$595,711 and \$751,510 in pension expense for fiscal year 2021 and 2020, respectively. In addition, the District reported (\$42,480) and (\$119,260) in OPEB expense for fiscal year 2021 and 2020, respectively. The decrease in both the net pension expense and the OPEB expense from fiscal year 2020 to fiscal year 2021 was \$79,019. This decrease is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2021 and 2020.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues of the District.

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

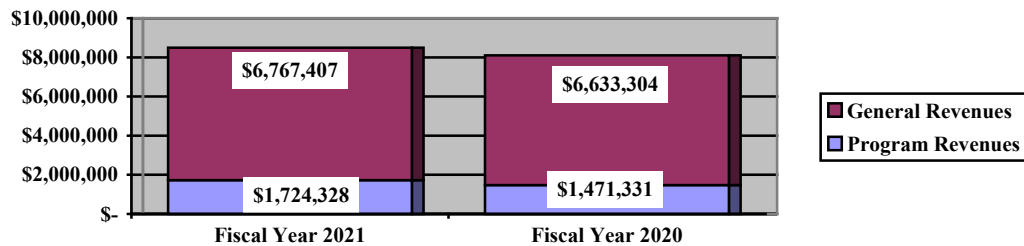
**Governmental Activities**

|                                  | Total Cost of<br>Services<br><u>2021</u> | Net Cost of<br>Services<br><u>2021</u> | Total Cost of<br>Services<br><u>2020</u> | Net Cost of<br>Services<br><u>2020</u> |
|----------------------------------|--|--|--|--|
| <b>Program expenses</b>          |  |  |  |  |
| Instruction:                     |  |  |  |  |
| Regular                          | \$ 3,886,468                             | \$ 3,294,622                           | \$ 3,983,648                             | \$ 3,512,573                           |
| Special                          | 680,006                                  | 203,439                                | 681,804                                  | 169,099                                |
| Other                            | 3,361                                    | 3,361                                  | 19,780                                   | 19,780                                 |
| Support services:                |  |  |  |  |
| Pupil                            | 345,543                                  | 205,080                                | 262,851                                  | 149,919                                |
| Instructional staff              | 188,037                                  | 181,907                                | 289,812                                  | 283,761                                |
| Board of education               | 16,241                                   | 16,241                                 | 84,453                                   | 84,453                                 |
| Administration                   | 737,833                                  | 734,923                                | 762,189                                  | 743,508                                |
| Fiscal                           | 206,769                                  | 206,769                                | 204,373                                  | 204,269                                |
| Business                         | -  | -                                      | 112                                      | 112                                    |
| Operations and maintenance       | 677,710                                  | 625,113                                | 722,768                                  | 692,541                                |
| Pupil transportation             | 242,291                                  | 206,898                                | 199,457                                  | 199,457                                |
| Central                          | 57,402                                   | 54,857                                 | 51,105                                   | 49,691                                 |
| Food service operations          | 253,697                                  | (42,390)                               | 253,994                                  | 29,158                                 |
| Other non-instructional services | 2,796                                    | 996                                    | 91                                       | (1,709)                                |
| Extracurricular activities       | 322,742                                  | 204,752                                | 260,560                                  | 169,054                                |
| Interest and fiscal charges      | 93,850                                   | 93,850                                 | 194,005                                  | 194,005                                |
| <b>Total expenses</b>            | <u>\$ 7,714,746</u>                      | <u>\$ 5,990,418</u>                    | <u>\$ 7,971,002</u>                      | <u>\$ 6,499,671</u>                    |

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 44.63% of total costs are directly supported by local property taxes. Grants and entitlements support about 41.05% of the total costs. Programs revenues only account for 22.35% of all governmental expenses.

The graph below presents the District's governmental activities revenue for fiscal years 2021 and 2020.

**Governmental Activities - General and Program Revenues**



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$6,970,645 which is more than last year's fund balance of \$5,850,236.

|                        | <u>Fund Balance</u><br><u>June 30, 2021</u> | <u>Fund Balance</u><br><u>June 30, 2020</u> | <u>Change</u>       |
|------------------------|---|---|---------------------|
| General                | \$ 5,178,934                                | \$ 4,207,658                                | \$ 971,276          |
| Non-major governmental | <u>1,791,711</u>                            | <u>1,642,578</u>                            | <u>149,133</u>      |
| Total                  | <u>\$ 6,970,645</u>                         | <u>\$ 5,850,236</u>                         | <u>\$ 1,120,409</u> |

Information regarding the District's major funds can be found beginning on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources totaling \$8,539,329 and expenditures and other financing uses totaling \$7,418,920. The general fund balance increased by \$971,276 as property tax, intergovernmental, and tuition revenues increased and instructional expenses decreased.

***General Fund Budgeting Highlights***

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

The District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. There was an increase from the original budget basis expenditures to the final budget basis expenditures to realistically estimate the District's expenditures in line with prior year trends and anticipated expenditures for the fiscal year. The original budget basis expenditures are temporarily appropriated in June and subsequently finalized in September of each year with adjustments made at that time.

The District's general fund unencumbered ending cash balance totaled \$4,634,704 which was more than the final budgeted amount of \$3,851,332 due to conservative budgeting.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2021, the District had \$12,719,101 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. The following table shows June 30, 2021 balances compared to June 30, 2020:

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

|                           | Governmental Activities |               |
|---------------------------|-------------------------|---------------|
|                           | 2021                    | 2020          |
| Land                      | \$ 991,845              | \$ 991,845    |
| Building and improvements | 19,248,405              | 19,158,981    |
| Furniture and fixtures    | 512,730                 | 512,730       |
| Vehicles                  | 588,325                 | 488,507       |
| Accumulated Depreciation  | (8,622,204)             | (7,925,163)   |
| Total                     | \$ 12,719,101           | \$ 13,226,900 |

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

***Debt***

**Outstanding Debt, at Year End**

|   | Governmental<br>Activities | Governmental<br>Activities |
|---|----------------------------|----------------------------|
|   | 2021                       | 2020                       |
| General obligation bonds                |                            |                            |
| Serial and Term Bonds                   | \$ 3,985,000               | \$ 3,985,000               |
| Capital Appreciation Bonds              | -                          | 36,366                     |
| Accretion on Capital Appreciation Bonds | -                          | 218,719                    |
| Total                                   | \$ 3,985,000               | \$ 4,240,085               |

The District's overall debt margin is \$7,749,681 and the unvoted debt margin is \$125,340. For more information on debt refer to Note 9 of the basic financial statements.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Current Financial Related Activities**

The District approaches the future with a very conservative approach. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The economic condition of the State and the Nation are having a negative impact on the financial status of the District.

The financial future of the District is faced with challenges which are both internal and external in nature. The internal challenges will continue to exist as the District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines what to do with the tremendous State revenue shortfalls and determine how to fund schools adequately.

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The District receives real and public utility personal property tax revenues from Tuscarawas County.

Although the District relies heavily on its property taxpayers to support its operations, community support for the schools is quite strong. The District passed a five-year 1.6 mill limited levy in May 2017, which expired in 2021.

Additional revenue and/or reductions in expenditures will be necessary to avoid negative general fund balances in future years. The District has communicated to the community that it relies upon their support for the major part of its operations, and will work to work diligently to plan expenditures, staying carefully within the District's 5-year plan. State law limits the growth of income generated by local levies rendering revenue relatively constant.

The District does not anticipate any meaningful growth in State revenue due to the economic condition of the State. The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding has now been established as part of the State's biennial budget for fiscal years 2021 and 2022. The District has established its estimates on the Office of Budget and Management district projects for State education funding.

The State of Ohio is currently working on a new funding formula that is ADM-driven. Due to the current economic condition of the State, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Since the District's operations are heavily dependent upon State funding, the State's economic situation is of grave concern to the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Amber Shaeffer, Treasurer, at Strasburg-Franklin Local School District, 140 North Bodmer Avenue, Strasburg, Ohio 44680, or email at [amber.shaeffer@strasburgtigers.org](mailto:amber.shaeffer@strasburgtigers.org).



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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2021

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>Assets:</b>                                 |                                    |
| Equity in pooled cash and cash equivalents     | \$ 7,016,934                       |
| Receivables:                                   |                                    |
| Property taxes                                 | 3,448,514                          |
| Intergovernmental                              | 26,290                             |
| Prepayments                                    | 56,370                             |
| Materials and supplies inventory               | 111                                |
| Inventory held for resale                      | 1,988                              |
| Net OPEB asset                                 | 367,170                            |
| Capital assets:                                |                                    |
| Nondepreciable capital assets                  | 991,845                            |
| Depreciable capital assets, net                | 11,727,256                         |
| Capital assets, net                            | 12,719,101                         |
| Total assets                                   | 23,636,478                         |
| <b>Deferred outflows of resources:</b>         |                                    |
| Unamortized deferred charges on debt refunding | 355,424                            |
| Pension  | 1,067,514                          |
| OPEB   | 130,773                            |
| Total deferred outflows of resources           | 1,553,711                          |
| <b>Liabilities:</b>                            |                                    |
| Accounts payable                               | 40,186                             |
| Accrued wages and benefits payable             | 423,321                            |
| Intergovernmental payable                      | 80,304                             |
| Pension and postemployment benefits payable    | 93,105                             |
| Accrued interest payable                       | 7,481                              |
| Long-term liabilities:                         |                                    |
| Due within one year                            | 321,882                            |
| Due in more than one year:                     |                                    |
| Net pension liability                          | 6,128,550                          |
| Net OPEB liability                             | 364,167                            |
| Other amounts due in more than one year        | 4,415,199                          |
| Total liabilities                              | 11,874,195                         |
| <b>Deferred inflows of resources:</b>          |                                    |
| Property taxes levied for the next fiscal year | 2,856,331                          |
| Pension  | 209,558                            |
| OPEB   | 667,510                            |
| Total deferred inflows of resources            | 3,733,399                          |
| <b>Net position:</b>                           |                                    |
| Net investment in capital assets               | 8,813,177                          |
| Restricted for:                                |                                    |
| Capital projects                               | 437,313                            |
| Classroom facilities maintenance               | 394,777                            |
| Debt service                                   | 508,313                            |
| State funded programs                          | 165,663                            |
| Federally funded programs                      | 9,259                              |
| Food service operations                        | 69,829                             |
| Extracurricular programs                       | 129,145                            |
| Other purposes                                 | 84,023                             |
| Unrestricted (deficit)                         | (1,028,904)                        |
| Total net position                             | \$ 9,582,595                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|  |                     |   | <b>Program Revenues</b>                       |   |  | <b>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</b> |
|--|---------------------|---|---|---|--|--|
|  | <b>Expenses</b>     | <b>Charges for<br/>Services and Sales</b> | <b>Operating Grants<br/>and Contributions</b> | <b>Capital Grants<br/>and Contributions</b> |  | <b>Governmental<br/>Activities</b>                                   |
| <b>Governmental activities:</b>          |                     |   |   |   |  |  |
| Instruction:                             |                     |   |   |   |  |  |
| Regular                                  | \$ 3,886,468        | \$ 530,901                                | \$ 60,945                                     | \$ -  |  | \$ (3,294,622)   |
| Special                                  | 680,006             | 107,721                                   | 368,846                                       | -   |  | (203,439)  |
| Other                                    | 3,361               | -   | -   | -   |  | (3,361)  |
| Support services:                        |                     |   |   |   |  |  |
| Pupil                                    | 345,543             | -   | 140,463                                       | -   |  | (205,080)  |
| Instructional staff                      | 188,037             | 14  | 6,116   | -   |  | (181,907)  |
| Board of education                       | 16,241              | -   | -   | -   |  | (16,241)   |
| Administration                           | 737,833             | -   | 2,910   | -   |  | (734,923)  |
| Fiscal                                   | 206,769             | -   | -   | -   |  | (206,769)  |
| Operations and maintenance               | 677,710             | 1,172                                     | 51,425  | -   |  | (625,113)  |
| Pupil transportation                     | 242,291             | -   | -   | 35,393                                      |  | (206,898)  |
| Central                                  | 57,402              | -   | 2,545   | -   |  | (54,857)   |
| Operation of non-instructional services: |                     |   |   |   |  |  |
| Food service operations                  | 253,697             | 44,666                                    | 251,421                                       | -   |  | 42,390   |
| Other non-instructional services         | 2,796               | -   | 1,800   | -   |  | (996)  |
| Extracurricular activities               | 322,742             | 115,616                                   | 2,374   | -   |  | (204,752)  |
| Interest and fiscal charges              | 93,850              | -   | -   | -   |  | (93,850)   |
| <b>Totals</b>                            | <b>\$ 7,714,746</b> | <b>\$ 800,090</b>                         | <b>\$ 888,845</b>                             | <b>\$ 35,393</b>                            |  | <b>(5,990,418)</b>   |
| <b>General revenues:</b>                 |                     |   |   |   |  |  |
| Property taxes levied for:               |                     |   |   |   |  |  |
|  |                     |   |   |   |  | 2,961,479  |
|  |                     |   |   |   |  | 342,143  |
|  |                     |   |   |   |  | 85,385   |
|  |                     |   |   |   |  | 54,453   |
|  |                     |   |   |   |  | 3,166,591  |
|  |                     |   |   |   |  | 10,869   |
|  |                     |   |   |   |  | 146,487  |
|  |                     |   |   |   |  | 6,767,407  |
|  |                     |   |   |   |  | 776,989  |
|  |                     |   |   |   |  | 8,805,606  |
|  |                     |   |   |   |  | \$ 9,582,595   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

|   | <b>General</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|----------------|--|---|
| <b>Assets:</b>  |                |  |   |
| Equity in pooled cash and cash equivalents            | \$ 5,262,801   | \$ 1,754,133                               | \$ 7,016,934                            |
| Receivables:  |                |  |   |
| Property taxes  | 2,983,027      | 465,487                                    | 3,448,514                               |
| Interfund loans                                       | 11,642         | -  | 11,642                                  |
| Intergovernmental                                     | -              | 26,290                                     | 26,290                                  |
| Prepayments   | 56,370         | -  | 56,370                                  |
| Materials and supplies inventory                      | -              | 111  | 111                                     |
| Inventory held for resale                             | -              | 1,988                                      | 1,988                                   |
| Due from other funds                                  | 10,023         | -  | 10,023                                  |
| Total assets  | \$ 8,323,863   | \$ 2,248,009                               | \$ 10,571,872                           |
| <b>Liabilities:</b>                                   |                |  |   |
| Accounts payable                                      | \$ 38,379      | \$ 1,807                                   | \$ 40,186                               |
| Accrued wages and benefits payable                    | 399,256        | 24,065                                     | 423,321                                 |
| Compensated absences payable                          | 4,873          | -  | 4,873                                   |
| Intergovernmental payable                             | 79,418         | 886  | 80,304                                  |
| Pension and postemployment benefits payable           | 93,105         | -  | 93,105                                  |
| Interfund loans payable                               | -              | 11,642                                     | 11,642                                  |
| Due to other funds                                    | -              | 10,023                                     | 10,023                                  |
| Total liabilities                                     | 615,031        | 48,423                                     | 663,454                                 |
| <b>Deferred inflows of resources:</b>                 |                |  |   |
| Property taxes levied for the next fiscal year        | 2,473,664      | 382,667                                    | 2,856,331                               |
| Delinquent property tax revenue not available         | 56,234         | 9,284                                      | 65,518                                  |
| Intergovernmental revenue not available               | -              | 15,924                                     | 15,924                                  |
| Total deferred inflows of resources                   | 2,529,898      | 407,875                                    | 2,937,773                               |
| <b>Fund balances:</b>                                 |                |  |   |
| Nonspendable:   |                |  |   |
| Materials and supplies inventory                      | -              | 111  | 111                                     |
| Prepays   | 56,370         | -  | 56,370                                  |
| Restricted:   |                |  |   |
| Debt service  | -              | 508,826                                    | 508,826                                 |
| Capital projects                                      | -              | 435,748                                    | 435,748                                 |
| Classroom facilities maintenance                      | -              | 394,026                                    | 394,026                                 |
| Food service operations                               | -              | 84,068                                     | 84,068                                  |
| State funded programs                                 | -              | 166,114                                    | 166,114                                 |
| Federally funded programs                             | -              | 9,259                                      | 9,259                                   |
| Extracurricular programs                              | -              | 129,145                                    | 129,145                                 |
| Other purposes  | -              | 84,023                                     | 84,023                                  |
| Assigned:   |                |  |   |
| Student instruction                                   | 126,322        | -  | 126,322                                 |
| Student and staff support                             | 508,401        | -  | 508,401                                 |
| Extracurricular activities                            | 47             | -  | 47                                      |
| Other purposes  | 2,500          | -  | 2,500                                   |
| Unassigned (deficit)                                  | 4,485,294      | (19,609)                                   | 4,465,685                               |
| Total fund balances                                   | 5,178,934      | 1,791,711                                  | 6,970,645                               |
| Total liabilities, deferred inflows and fund balances | \$ 8,323,863   | \$ 2,248,009                               | \$ 10,571,872                           |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

|   |    |             |             |
|---|----|-------------|-------------|
| <b>Total governmental fund balances</b>   |    | \$          | 6,970,645   |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i>   |    |             |             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |    |             | 12,719,101  |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.  |    |             |             |
| Property taxes receivable   | \$ | 65,518      |             |
| Intergovernmental receivable  |    | 15,924      |             |
| Total   |    | 81,442      | 81,442      |
| Unamortized premiums on bonds issued are not recognized in the funds.   |    |             | (276,348)   |
| Unamortized amounts on refundings are not recognized in the funds.  |    |             | 355,424     |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.   |    |             | (7,481)     |
| The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds. |    |             |             |
| Deferred outflows - pension   |    | 1,067,514   |             |
| Deferred inflows - pension  |    | (209,558)   |             |
| Net pension liability   |    | (6,128,550) |             |
| Deferred outflows - OPEB  |    | 130,773     |             |
| Deferred inflows - OPEB   |    | (667,510)   |             |
| Net OPEB asset  |    | 367,170     |             |
| Net OPEB liability  |    | (364,167)   |             |
| Total   |    | (5,804,328) | (5,804,328) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  |    |             |             |
| General obligation bonds  |    | (3,985,000) |             |
| Compensated absences  |    | (470,860)   |             |
| Total   |    | (4,455,860) | (4,455,860) |
| <b>Net position of governmental activities</b>  |    | \$          | 9,582,595   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| <b>Revenues:</b>                          |                     |  |   |
| Property taxes                            | \$ 2,979,413        | \$ 468,270                                 | \$ 3,447,683                            |
| Intergovernmental                         | 3,255,238           | 793,667                                    | 4,048,905                               |
| Investment earnings                       | 10,869              | 45   | 10,914                                  |
| Tuition and fees                          | 638,622             | -  | 638,622                                 |
| Extracurricular                           | -                   | 115,616                                    | 115,616                                 |
| Rental income                             | 1,172               | -  | 1,172                                   |
| Charges for services                      | -                   | 44,680                                     | 44,680                                  |
| Contributions and donations               | 101,070             | 42,795                                     | 143,865                                 |
| Miscellaneous                             | 45,417              | 4,455                                      | 49,872                                  |
| Total revenues                            | <u>7,031,801</u>    | <u>1,469,528</u>                           | <u>8,501,329</u>                        |
| <b>Expenditures:</b>                      |                     |  |   |
| Current:                                  |                     |  |   |
| Instruction:                              |                     |  |   |
| Regular                                   | 3,222,163           | 35,022                                     | 3,257,185                               |
| Special                                   | 449,009             | 215,922                                    | 664,931                                 |
| Other                                     | 3,361               | -  | 3,361                                   |
| Support services:                         |                     |  |   |
| Pupil                                     | 265,944             | 76,382                                     | 342,326                                 |
| Instructional staff                       | 182,142             | 4,543                                      | 186,685                                 |
| Board of education                        | 16,100              | -  | 16,100                                  |
| Administration                            | 633,578             | 3,115                                      | 636,693                                 |
| Fiscal                                    | 205,495             | -  | 205,495                                 |
| Operations and maintenance                | 533,081             | 140,879                                    | 673,960                                 |
| Pupil transportation                      | 271,312             | 35,392                                     | 306,704                                 |
| Central                                   | 57,402              | -  | 57,402                                  |
| Operation of non-instructional services:  |                     |  |   |
| Food service operations                   | 1,547               | 240,752                                    | 242,299                                 |
| Other non-instructional services          | -                   | 2,796                                      | 2,796                                   |
| Extracurricular activities                | 181,391             | 124,189                                    | 305,580                                 |
| Facilities acquisition and construction   | -                   | 96,530                                     | 96,530                                  |
| Debt service:                             |                     |  |   |
| Principal retirement                      | -                   | 36,366                                     | 36,366                                  |
| Interest and fiscal charges               | -                   | 92,873                                     | 92,873                                  |
| Accretion on capital appreciation bonds   | -                   | 253,634                                    | 253,634                                 |
| Total expenditures                        | <u>6,022,525</u>    | <u>1,358,395</u>                           | <u>7,380,920</u>                        |
| Excess of revenues over expenditures      | <u>1,009,276</u>    | <u>111,133</u>                             | <u>1,120,409</u>                        |
| <b>Other financing sources (uses):</b>    |                     |  |   |
| Transfers in                              | -                   | 38,000                                     | 38,000                                  |
| Transfers (out)                           | (38,000)            | -  | (38,000)                                |
| Total other financing sources (uses)      | <u>(38,000)</u>     | <u>38,000</u>                              | <u>-</u>                                |
| Net change in fund balances               | 971,276             | 149,133                                    | 1,120,409                               |
| <b>Fund balances at beginning of year</b> | <u>4,207,658</u>    | <u>1,642,578</u>                           | <u>5,850,236</u>                        |
| <b>Fund balances at end of year</b>       | <u>\$ 5,178,934</u> | <u>\$ 1,791,711</u>                        | <u>\$ 6,970,645</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|   |                  |                       |
|---|------------------|-----------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$               | 1,120,409             |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                  |                       |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  |                  |                       |
| Capital asset additions   | \$ 189,242       |                       |
| Current year depreciation   | <u>(697,041)</u> |                       |
| Total   |                  | (507,799)             |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                       |
| Property taxes  | (19,285)         |                       |
| Accounts  | (38,427)         |                       |
| Intergovernmental   | <u>9,691</u>     |                       |
| Total   |                  | (48,021)              |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.  |                  |                       |
|   |                  | 36,366                |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: |                  |                       |
| Change in accrued interest payable  | 40,864           |                       |
| Accreted interest on capital appreciation bonds   | 218,719          |                       |
| Amortization of bond premiums   | 24,206           |                       |
| Amortization of deferred charges  | <u>(31,132)</u>  |                       |
| Total   |                  | 252,657               |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.   |                  |                       |
| Pension   | 456,142          |                       |
| OPEB  | <u>10,843</u>    |                       |
| Total   |                  | 466,985               |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.  |                  |                       |
| Pension   | (595,711)        |                       |
| OPEB  | <u>42,480</u>    |                       |
| Total   |                  | (553,231)             |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                  |                       |
|   |                  | <u>9,623</u>          |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>        | <b><u>776,989</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|  | <u>Budgeted Amounts</u> |                     |                     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Revenues:</b>   |                         |                     |                     |   |
| Property taxes   | \$ 2,718,067            | \$ 2,718,067        | \$ 2,959,197        | \$ 241,130  |
| Intergovernmental  | 2,990,276               | 2,990,276           | 3,255,557           | 265,281   |
| Investment earnings  | 9,983                   | 9,983               | 10,869              | 886   |
| Tuition and fees   | 586,583                 | 586,583             | 638,622             | 52,039  |
| Rental income  | 1,076                   | 1,076               | 1,172               | 96  |
| Contributions and donations                                  | 91,851                  | 91,851              | 100,000             | 8,149   |
| Miscellaneous  | 2,164                   | 2,164               | 2,356               | 192   |
| <b>Total revenues</b>  | <u>6,400,000</u>        | <u>6,400,000</u>    | <u>6,967,773</u>    | <u>567,773</u>  |
| <b>Expenditures:</b>   |                         |                     |                     |   |
| Current:   |                         |                     |                     |   |
| Instruction:   |                         |                     |                     |   |
| Regular  | 1,479,657               | 6,590,088           | 3,461,213           | 3,128,875   |
| Special  | 124,882                 | 9,937               | 494,992             | (485,055)   |
| Other  | 125,674                 | 10,000              | 18,774              | (8,774)   |
| Support services:  |                         |                     |                     |   |
| Pupil  | 1,009,562               | 80,332              | 330,851             | (250,519)   |
| Instructional staff  | 641,263                 | 51,026              | 268,519             | (217,493)   |
| Board of education   | 211,433                 | 16,824              | 31,729              | (14,905)  |
| Administration   | 266,416                 | 21,199              | 685,103             | (663,904)   |
| Fiscal   | 276,155                 | 21,974              | 197,350             | (175,376)   |
| Operations and maintenance                                   | 1,923,323               | 153,041             | 671,242             | (518,201)   |
| Pupil transportation   | 734,965                 | 58,482              | 387,817             | (329,335)   |
| Central  | 176,861                 | 14,073              | 81,935              | (67,862)  |
| Operation of non-instructional services:                     |                         |                     |                     |   |
| Other non-instructional services                             | 61,693                  | 4,909               | 2,500               | 2,409   |
| Extracurricular activities                                   | -                       | -                   | 186,899             | (186,899)   |
| <b>Total expenditures</b>                                    | <u>7,031,885</u>        | <u>7,031,885</u>    | <u>6,818,924</u>    | <u>212,961</u>  |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(631,885)</u>        | <u>(631,885)</u>    | <u>148,849</u>      | <u>780,734</u>  |
| <b>Other financing sources (uses):</b>                       |                         |                     |                     |   |
| Refund of prior year's expenditures                          | -                       | -                   | 38,427              | 38,427  |
| Transfers (out)  | -                       | -                   | (38,000)            | (38,000)  |
| Sale of capital assets                                       | -                       | -                   | 2,211               | 2,211   |
| <b>Total other financing sources (uses)</b>                  | <u>-</u>                | <u>-</u>            | <u>2,638</u>        | <u>2,638</u>  |
| Net change in fund balance                                   | (631,885)               | (631,885)           | 151,487             | 783,372   |
| <b>Fund balance at beginning of year</b>                     | 3,923,682               | 3,923,682           | 3,923,682           | -   |
| <b>Prior year encumbrances appropriated</b>                  | 559,535                 | 559,535             | 559,535             | -   |
| <b>Fund balance at end of year</b>                           | <u>\$ 3,851,332</u>     | <u>\$ 3,851,332</u> | <u>\$ 4,634,704</u> | <u>\$ 783,372</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

Strasburg-Franklin 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 and provides educational services as authorized by State statute and/or Federal guidelines. The Board controls the District’s one facility, staffed by 14 classified personnel, 41 certificated teaching personnel and 6 administrators who provide service to 566 students and other community members.

There have been schools in Franklin Township, Tuscarawas County, Ohio, dating back to 1816. However, the Strasburg-Franklin Local School District (the “District”) was officially formed in 1946, with the closing of the last of six township schools, and the transfer of those students to the school buildings in town for their education.

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

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

**A. Reporting Entity**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Joint Vocational District

The Joint Vocational District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational District’s Board of Education is comprised of representatives from the Board of Education of each participating district. The Joint Vocational District’s Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District’s students may attend the Joint Vocational District. Each participating District’s control is limited to its representation on the Joint Vocational District’s Board of Education.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC, a jointly governed organization which provides computer services to the districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of 30 member districts; however, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

Strasburg Enterprise Zone Committee

The Strasburg Enterprise Zone Committee (Enterprise Zone) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. The Enterprise Zone Committee has seven members, consisting of three members appointed by Strasburg Village Council, the Mayor of the Village, two business people, and one member appointed by the Strasburg-Franklin Local Board of Education. The committee has the authority to negotiate tax abatement agreements with current and prospective businesses located in the Enterprise Zone. There is no cost associated with being a member of this committee. The continued existence of this committee is not dependent upon the District's continued participation and no equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan (the "Council") is a shared risk pool, with participants from Stark, Summit and Portage Counties. The Council is governed by an assembly which consists of one representative from each participating district (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council receipts are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 6057 Strip Avenue NW, North Canton, Ohio 44720.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

The following is the District's major governmental fund:

*General fund* -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District has no fiduciary funds.

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

**D. Basis of Accounting**

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

*Revenues - Exchange and Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements.

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

**E. Budgets**

All funds, other than custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Although the legal level of control was established at the fund level of expenditures, the District has elected to present the budgetary statement comparison at the fund and function level of expenditures. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statement reflects the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**F. Cash and Cash Equivalents**

During fiscal year 2021, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Investment earnings are credited to funds based on Board Policy and State statute. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$10,869, which includes \$2,801 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

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

| <u>Description</u>                | <u>Useful Lives</u> |
|-----------------------------------|---------------------|
| Buildings and Improvements        | 20 - 50 years       |
| Furniture, Fixtures and Equipment | 5 - 20 years        |
| Vehicles                          | 8 - 10 years        |

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable” and “due to/due from other funds.” These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

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

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

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

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

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



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

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

**L. Fund Balance**

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

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

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

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

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for scholarships.

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TUSCARAWAS COUNTY, OHIO**

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

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Pensions/Other Postemployment Benefits (OPEB)**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.

**S. Issuance Costs, Bond Premium and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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

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

**T. Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the District has applied GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**B. Deficit Fund Balances**

Fund balances at June 30, 2021 included the following individual fund deficits:

| <u>Nonmajor funds</u>        | <u>Deficit</u> |
|------------------------------|----------------|
| ESSER                        | \$ 16,036      |
| Coronavirus Relief           | 1,774          |
| IDEA Part B                  | 1,720          |
| Miscellaneous Federal Grants | 79             |

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

**C. Compliance**

It was noted throughout fiscal year 2021 and at fiscal year-end, various bank to book reconciliation issues were noted including the handling of stale outstanding checks.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At fiscal year end, the District had \$8,800 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all District deposits was \$803,815. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2021, \$499,606 of the District’s bank balance of \$977,427 was exposed to custodial risk as discussed below, while \$477,821 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2021, certain District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2021, the District had the following investments and maturities:

| <u>Measurement/<br/>Investment type</u> | <u>Measurement<br/>Value</u> | <u>Investment<br/>Maturities<br/>6 months or<br/>less</u> |
|---|------------------------------|---|
| <i>Amortized Cost:</i>                  |                              |   |
| STAR Ohio                               | <u>\$ 6,204,319</u>          | <u>\$ 6,204,319</u>                                       |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2021:

| <u>Measurement/<br/>Investment type</u> | <u>Measurement<br/>Amount</u> | <u>% of Total</u> |
|---|-------------------------------|-------------------|
| STAR Ohio                               | <u>\$ 6,204,319</u>           | <u>100.00</u>     |

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2021:

|  |  |                     |
|--|--|---------------------|
| <u>Cash and investments per note</u>                               |  |                     |
| Carrying amount of deposits  |  | \$ 803,815          |
| Investments  |  | 6,204,319           |
| Cash on hand   |  | <u>8,800</u>        |
| Total  |  | <u>\$ 7,016,934</u> |
| <br><u>Cash and cash equivalents per statement of net position</u> |  |                     |
| Governmental activities  |  | <u>\$ 7,016,394</u> |
| Total  |  | <u>\$ 7,016,394</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2021, as reported on the fund statements consist of the following individual interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable funds</u>           | <u>Amount</u>    |
|------------------------|--------------------------------|------------------|
| General fund           | Nonmajor special revenue funds | <u>\$ 11,642</u> |

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

B. Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund statements:

|  | <u>Amount</u>    |
|--|------------------|
| <u>Transfers from general fund to:</u> |                  |
| Nonmajor governmental funds            | <u>\$ 38,000</u> |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financials.

All transfers made during the fiscal year 2021 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

C. Due to/from other funds consisted of the following at June 30, 2021, as reported on the fund statement:

| <u>Receivable fund</u> | <u>Payable fund</u>        | <u>Amount</u>    |
|------------------------|----------------------------|------------------|
| General fund           | Nonmajor governmental fund | <u>\$ 10,023</u> |

The primary purpose of the amount due to the general fund from the nonmajor governmental fund was to eliminate negative cash balances. The amount will be repaid once cash is received.

Amounts due to/from between governmental funds are eliminated on the government-wide statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2021 represent the collection of calendar year 2020 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 2020 became a lien on December 31, 2019, 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.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Tuscarawas County. The County Auditors periodically advance 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 as an advance at June 30, 2021 was \$453,219 in the general fund, \$54,714 in the bond retirement fund (a nonmajor governmental fund), \$6,011 in the classroom facilities fund (a nonmajor governmental fund), and \$12,811 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2020 was \$432,913 in the general fund, \$54,910 in the bond retirement fund (a nonmajor governmental fund), \$5,778 in the classroom facility fund (a nonmajor governmental fund) and \$12,133 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

|   | 2020 Second<br>Half Collections |                | 2021 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
|   | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Agricultural/residential<br>and other real estate | \$ 116,494,130                  | 95.11          | \$ 118,829,350                 | 94.81          |
| Public utility personal                           | <u>5,988,650</u>                | <u>4.89</u>    | <u>6,510,310</u>               | <u>5.19</u>    |
| Total   | <u>\$ 122,482,780</u>           | <u>100.00</u>  | <u>\$ 125,339,660</u>          | <u>100.00</u>  |
| Tax rate per \$1,000 of<br>assessed valuation     | \$59.50                         |                | \$59.30                        |                |

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2021 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 7 - RECEIVABLES - (Continued)**

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

|                   |                                |
|-------------------|--------------------------------|
| Property taxes    | \$ 3,448,514                   |
| Intergovernmental | <u>26,290</u>                  |
| <br>Total         | <br><u><u>\$ 3,474,804</u></u> |

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

**NOTE 8 - CAPITAL ASSETS**

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

|   | <u>Balance</u><br><u>06/30/20</u> | <u>Additions</u>           | <u>Deductions</u>  | <u>Balance</u><br><u>06/30/21</u> |
|---|-----------------------------------|----------------------------|--------------------|-----------------------------------|
| <b>Governmental activities:</b>               |                                   |                            |                    |                                   |
| <i>Capital assets, not being depreciated:</i> |                                   |                            |                    |                                   |
| Land  | \$ 991,845                        | \$ -                       | \$ -               | \$ 991,845                        |
| Total capital assets, not being depreciated   | <u>991,845</u>                    | <u>-</u>                   | <u>-</u>           | <u>991,845</u>                    |
| <i>Capital assets, being depreciated:</i>     |                                   |                            |                    |                                   |
| Buildings and improvements                    | 19,158,981                        | 89,424                     | -                  | 19,248,405                        |
| Furniture, fixtures and equipment             | 512,730                           | -                          | -                  | 512,730                           |
| Vehicles                                      | 488,507                           | 99,818                     | -                  | 588,325                           |
| Total capital assets, being depreciated       | <u>20,160,218</u>                 | <u>189,242</u>             | <u>-</u>           | <u>20,349,460</u>                 |
| <i>Less: accumulated depreciation:</i>        |                                   |                            |                    |                                   |
| Buildings and improvements                    | (7,236,671)                       | (638,377)                  | -                  | (7,875,048)                       |
| Furniture, fixtures and equipment             | (305,400)                         | (39,849)                   | -                  | (345,249)                         |
| Vehicles                                      | (383,092)                         | (18,815)                   | -                  | (401,907)                         |
| Total accumulated depreciation                | <u>(7,925,163)</u>                | <u>(697,041)</u>           | <u>-</u>           | <u>(8,622,204)</u>                |
| Governmental activities capital assets, net   | <u><u>\$ 13,226,900</u></u>       | <u><u>\$ (507,799)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 12,719,101</u></u>       |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|   |                   |
|---|-------------------|
| <u>Instruction:</u>                     |                   |
| Regular                                 | \$ 563,817        |
| Special                                 | 641               |
| <u>Support services:</u>                |                   |
| Administration                          | 82,165            |
| Operations and maintenance              | 13,464            |
| Pupil transportation                    | 7,471             |
| Extracurricular activities              | 15,947            |
| Food service operations                 | 8,477             |
| Facilities acquisition and construction | <u>5,059</u>      |
| Total depreciation expense              | <u>\$ 697,041</u> |

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2021, the following changes occurred in governmental activities long-term obligations.

|  | <u>Balance</u><br><u>06/30/20</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Balance</u><br><u>06/30/21</u> | <u>Amounts</u><br><u>Due in</u><br><u>One Year</u> |
|--|-----------------------------------|-------------------|---------------------|-----------------------------------|--|
| <b>Governmental activities:</b>                      |                                   |                   |                     |                                   |  |
| General obligation bonds (refunding), series 2012:   |                                   |                   |                     |                                   |  |
| Current interest serial bonds                        | \$ 3,985,000                      | \$ -              | \$ -                | 3,985,000                         | \$ 295,000   |
| Capital appreciation bonds                           | 36,366                            | -                 | (36,366)            | -                                 | -  |
| Accreted interest                                    | <u>218,719</u>                    | <u>34,915</u>     | <u>(253,634)</u>    | <u>-</u>                          | <u>-</u>   |
| Total refunding bonds                                | <u>4,240,085</u>                  | <u>34,915</u>     | <u>(290,000)</u>    | <u>3,985,000</u>                  | <u>295,000</u>                                     |
| Compensated absences                                 | 529,605                           | 22,009            | (75,881)            | 475,733                           | 26,882   |
| Net pension liability:                               |                                   |                   |                     |                                   |  |
| STRS   | 4,769,233                         | 285,798           | -                   | 5,055,031                         | -  |
| SERS   | <u>1,003,390</u>                  | <u>70,129</u>     | -                   | <u>1,073,519</u>                  | -  |
| Total net pension liability                          | <u>5,772,623</u>                  | <u>355,927</u>    | <u>-</u>            | <u>6,128,550</u>                  | <u>-</u>   |
| Net OPEB liability:                                  |                                   |                   |                     |                                   |  |
| SERS   | <u>427,416</u>                    | -                 | <u>(63,249)</u>     | <u>364,167</u>                    | -  |
| Total net OPEB liability                             | <u>427,416</u>                    | <u>-</u>          | <u>(63,249)</u>     | <u>364,167</u>                    | <u>-</u>   |
| Total long-term obligations, governmental activities | <u>\$ 10,969,729</u>              | <u>\$ 412,851</u> | <u>\$ (429,130)</u> | <u>10,953,450</u>                 | <u>\$ 321,882</u>                                  |
| Add: Unamortized premium on refunding                |                                   |                   |                     | <u>276,348</u>                    |  |
| Total on the statement of net position               |                                   |                   |                     | <u>\$ 11,229,798</u>              |  |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated absences will be paid from the general fund.

Net pension liability - see Note 12 for detail. The District pays obligations related to employee compensation from the fund benefiting from their service.

Net OPEB liability/asset - see Note 13 for detail. The District pays obligations related to employee compensation from the fund benefiting from their service.

- B. Refunding Bonds - Series 2012:** On October 30, 2012, the District issued \$5,329,999 in general obligation bonds to refund a portion of the Ohio Facilities Construction Commission (OFCC) general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$5,245,000 and \$84,999, respectively. The interest rates on the current interest bonds range from 1.50% to 3.00%. The capital appreciation bonds matured December 1, 2020 (effective interest 27.40%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The bonds were issued for a twenty year period with a final maturity at December 1, 2032. Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

The bonds were sold at a premium of \$484,116. Net proceeds of \$5,922,640 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2021, \$3,985,000 of the defeased bonds are still outstanding.

The District's overall debt margin is \$7,749,681 (including available funds of \$454,112) and the unvoted debt margin is \$125,340.

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

| Fiscal<br>Year Ended | Series 2012 Refunding<br>Current Interest Bonds |                   |                     |
|----------------------|---|-------------------|---------------------|
|                      | Principal                                       | Interest          | Total               |
| 2022                 | \$ 295,000                                      | \$ 89,902         | \$ 384,902          |
| 2023                 | 300,000   | 83,932            | 383,932             |
| 2024                 | 305,000   | 77,902            | 382,902             |
| 2025                 | 315,000   | 71,722            | 386,722             |
| 2026                 | 320,000   | 65,352            | 385,352             |
| 2027 - 2031          | 1,710,000                                       | 214,770           | 1,924,770           |
| 2032 - 2033          | 740,000   | 21,894            | 761,894             |
| Total                | <u>\$ 3,985,000</u>                             | <u>\$ 625,474</u> | <u>\$ 4,610,474</u> |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District contracted with Liberty Mutual for property insurance. Liberty Mutual also covers boiler and machinery with a \$1,000 deductible and inland marine coverage with a \$250 deductible.

Professional and general liability is protected by Liberty Mutual with a \$3,000,000 aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible. Vehicles are covered by Liberty Mutual and hold a \$100 deductible for comprehensive and \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

The District participates in a Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Health Insurance**

The District participates in the Stark County Schools Council of Governments Health Benefit Plan (the "Council"), a risk sharing pool to provide medical/surgical benefits for employees (Note 2.A.). The District's insurance program for health care, through the Council, is administered by Mutual Health Services Company and Aultcare Corporation. Payments are made to the Council for monthly premiums, monthly stop-loss premiums and administrative charges. The District submits monthly payments for family plans and individual coverage to the Stark County Educational Service Center who serves as the fiscal agent for the Council. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Council.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation each year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave that may be accumulated for certified employees and classified employees. Upon retirement, employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government's Health Benefits Program.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

*Net Pension Liability/Net OPEB Liability/Asset*

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

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

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

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

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                                | Eligible to<br>Retire after<br>August 1, 2017  |
|------------------------------|---|--|
| Full benefits                | Age 65 with 5 years of services credit; or<br>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; or<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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the start of a COLA for future retirees. For 2021, the COLA was 0.5%.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$89,741 for fiscal year 2021. Of this amount, \$15,313 is reported as pension and postemployment benefits payable.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan Description - Licensed teachers participate in STRS, 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 website at [www.strsoh.org](http://www.strsoh.org).

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

The DC Plan allows members to place all of their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2021 contribution rates were equal to the statutory maximum rates.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The District's contractually required contribution to STRS was \$366,401 for fiscal year 2021. Of this amount, \$65,772 is reported as pension and postemployment benefits payable.

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

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

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

|  | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.01677020%         | 0.02156619%         |              |
| Proportion of the net pension liability current measurement date | <u>0.01623050%</u>  | <u>0.02089163%</u>  |              |
| Change in proportionate share                                    | <u>-0.00053970%</u> | <u>-0.00067456%</u> |              |
| Proportionate share of the net pension liability                 | \$ 1,073,519        | \$ 5,055,031        | \$ 6,128,550 |
| Pension expense  | \$ 79,098           | \$ 516,613          | \$ 595,711   |

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

|  | <u>SERS</u>       | <u>STRS</u>       | <u>Total</u>        |
|--|-------------------|-------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                   |                     |
| Differences between expected and actual experience   | \$ 2,085          | \$ 11,342         | \$ 13,427           |
| Net difference between projected and actual earnings on pension plan investments                                     | 68,150            | 245,824           | 313,974             |
| Changes of assumptions   | -                 | 271,356           | 271,356             |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | 1,399             | 11,216            | 12,615              |
| Contributions subsequent to the measurement date   | <u>89,741</u>     | <u>366,401</u>    | <u>456,142</u>      |
| Total deferred outflows of resources   | <u>\$ 161,375</u> | <u>\$ 906,139</u> | <u>\$ 1,067,514</u> |



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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | <u>SERS</u>      | <u>STRS</u>       | <u>Total</u>      |
|--|------------------|-------------------|-------------------|
| <b>Deferred inflows of resources</b>   |                  |                   |                   |
| Differences between expected and actual experience   | \$ -             | \$ 32,322         | \$ 32,322         |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | <u>19,948</u>    | <u>157,288</u>    | <u>177,236</u>    |
| Total deferred inflows of resources  | <u>\$ 19,948</u> | <u>\$ 189,610</u> | <u>\$ 209,558</u> |

\$456,142 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

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

|                             | <u>SERS</u>      | <u>STRS</u>       | <u>Total</u>      |
|-----------------------------|------------------|-------------------|-------------------|
| Fiscal Year Ending June 30: |                  |                   |                   |
| 2022                        | \$ (11,218)      | \$ 103,654        | \$ 92,436         |
| 2023                        | 13,163           | 54,441            | 67,604            |
| 2024                        | 28,405           | 110,344           | 138,749           |
| 2025                        | <u>21,336</u>    | <u>81,689</u>     | <u>103,025</u>    |
| Total                       | <u>\$ 51,686</u> | <u>\$ 350,128</u> | <u>\$ 401,814</u> |

***Actuarial Assumptions - SERS***

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

|  |  |
|--|--|
| Wage inflation                               | 3.00%  |
| Future salary increases, including inflation | 3.50% to 18.20%                                      |
| COLA or ad hoc COLA                          | 2.50%  |
| Investment rate of return                    | 7.50% net of investment expense, including inflation |
| Actuarial cost method                        | Entry age normal (level percent of payroll)          |

For 2020, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

|  | 1% Decrease  | Current<br>Discount Rate | 1% Increase |
|--|--------------|--------------------------|-------------|
| District's proportionate share<br>of the net pension liability | \$ 1,470,591 | \$ 1,073,519             | \$ 740,369  |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

|                                      | July 1, 2020  |
|--------------------------------------|---|
| Inflation                            | 2.50%   |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |
| Payroll increases                    | 3.00%   |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |

For the July 1, 2020, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 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% 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%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

|  | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| District's proportionate share<br>of the net pension liability | \$ 7,197,484       | \$ 5,055,031                     | \$ 3,239,481       |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$10,843.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$10,843 for fiscal year 2021. Of this amount, \$10,843 is reported as pension and postemployment benefits payable.

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

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

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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

The net OPEB liability/asset was measured as of June 30, 2020, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

|   | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u> |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability/asset prior measurement date   | 0.01699610%         | 0.02156619%         |              |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.01675620%</u>  | <u>0.02089163%</u>  |              |
| Change in proportionate share                                       | <u>-0.00023990%</u> | <u>-0.00067456%</u> |              |
| Proportionate share of the net OPEB liability                       | \$ 364,167          | \$ -                | \$ 364,167   |
| Proportionate share of the net OPEB asset                           | \$ -                | \$ (367,170)        | \$ (367,170) |
| OPEB expense  | \$ (16,574)         | \$ (25,906)         | \$ (42,480)  |

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

|  | <u>SERS</u>      | <u>STRS</u>      | <u>Total</u>      |
|--|------------------|------------------|-------------------|
| <b>Deferred outflows of resources</b>  |                  |                  |                   |
| Differences between expected and actual experience   | \$ 4,782         | \$ 23,528        | \$ 28,310         |
| Net difference between projected and actual earnings on OPEB plan investments  | 4,105            | 12,866           | 16,971            |
| Changes of assumptions   | 62,079           | 6,061            | 68,140            |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | 3,961            | 2,548            | 6,509             |
| Contributions subsequent to the measurement date   | <u>10,843</u>    | <u>-</u>         | <u>10,843</u>     |
| Total deferred outflows of resources   | <u>\$ 85,770</u> | <u>\$ 45,003</u> | <u>\$ 130,773</u> |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

|  | <u>SERS</u>       | <u>STRS</u>       | <u>Total</u>      |
|--|-------------------|-------------------|-------------------|
| <b>Deferred inflows of resources</b>   |                   |                   |                   |
| Differences between expected and actual experience   | \$ 185,205        | \$ 73,135         | \$ 258,340        |
| Changes of assumptions   | 9,172             | 348,753           | 357,925           |
| Difference between employer contributions and proportionate share of contributions/<br>change in proportionate share | <u>36,547</u>     | <u>14,698</u>     | <u>51,245</u>     |
| Total deferred inflows of resources  | <u>\$ 230,924</u> | <u>\$ 436,586</u> | <u>\$ 667,510</u> |

\$10,843 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2022.

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

|                             | <u>SERS</u>         | <u>STRS</u>         | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| Fiscal Year Ending June 30: |                     |                     |                     |
| 2022                        | \$ (33,627)         | \$ (98,893)         | \$ (132,520)        |
| 2023                        | (33,331)            | (90,183)            | (123,514)           |
| 2024                        | (33,377)            | (87,131)            | (120,508)           |
| 2025                        | (28,298)            | (80,657)            | (108,955)           |
| 2026                        | (19,906)            | (16,822)            | (36,728)            |
| Thereafter                  | <u>(7,458)</u>      | <u>(17,897)</u>     | <u>(25,355)</u>     |
| Total                       | <u>\$ (155,997)</u> | <u>\$ (391,583)</u> | <u>\$ (547,580)</u> |

***Actuarial Assumptions - SERS***

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

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

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

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

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

|  |   |
|--|---|
| Wage inflation   | 3.00%   |
| Future salary increases, including inflation   | 3.50% to 18.20%   |
| Investment rate of return  | 7.50% net of investment<br>expense, including inflation |
| Municipal bond index rate:   |   |
| Measurement date   | 2.45%   |
| Prior measurement date   | 3.13%   |
| Single equivalent interest rate, net of plan investment expense,<br>including price inflation: |   |
| Measurement date   | 2.63%   |
| Prior measurement date   | 3.22%   |
| Medical trend assumption:  |   |
| Measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |
| Prior measurement date   |   |
| Medicare   | 5.25 to 4.75%   |
| Pre-Medicare   | 7.00 to 4.75%   |

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

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

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



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

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

| Asset Class            | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|------------------------|----------------------|---|
| Cash                   | 2.00 %               | 1.85 %                                    |
| US Equity              | 22.50                | 5.75                                      |
| International Equity   | 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%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45%, 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. A municipal bond rate of 3.13% was used as of June 30, 2019. 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 (7.00% decreasing to 4.75%).

|   | 1% Decrease   | Current<br>Discount Rate | 1% Increase |
|---|---|--------------------------|-------------|
|   | District's proportionate share<br>of the net OPEB liability | \$ 445,731               | \$ 364,167  |
|   | 1% Decrease   | Current<br>Trend Rate    | 1% Increase |
| District's proportionate share<br>of the net OPEB liability | \$ 286,754  | \$ 364,167               | \$ 467,688  |

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

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation, compared with July 1, 2019, are presented below:

|                                      | July 1, 2020  |          | July 1, 2019  |          |
|--------------------------------------|---|----------|---|----------|
|                                      | Initial   | Ultimate | Initial   | Ultimate |
| Inflation                            | 2.50%   |          | 2.50%   |          |
| Projected salary increases           | 12.50% at age 20 to<br>2.50% at age 65                    |          | 12.50% at age 20 to<br>2.50% at age 65                    |          |
| Investment rate of return            | 7.45%, net of investment<br>expenses, including inflation |          | 7.45%, net of investment<br>expenses, including inflation |          |
| Payroll increases                    | 3.00%   |          | 3.00%   |          |
| Cost-of-living adjustments<br>(COLA) | 0.00%   |          | 0.00%   |          |
| Discount rate of return              | 7.45%   |          | 7.45%   |          |
| Blended discount rate of return      | N/A   |          | N/A   |          |
| Health care cost trends              |   |          |   |          |
| Medical                              |   |          |   |          |
| Pre-Medicare                         | 5.00%   | 4.00%    | 5.87%   | 4.00%    |
| Medicare                             | -6.69%  | 4.00%    | 4.93%   | 4.00%    |
| Prescription Drug                    |   |          |   |          |
| Pre-Medicare                         | 6.50%   | 4.00%    | 7.73%   | 4.00%    |
| Medicare                             | 11.87%  | 4.00%    | 9.62%   | 4.00%    |

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

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

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

***Assumption Changes Since the Prior Measurement Date*** - There were no changes in assumptions since the prior measurement date of June 30, 2019.

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
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**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

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

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

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

|  | 1% Decrease | Discount Rate         | 1% Increase |
|--|-------------|-----------------------|-------------|
| District's proportionate share of the net OPEB asset | \$ 319,462  | \$ 367,170            | \$ 407,649  |
|  |             | Current<br>Trend Rate |             |
|  | 1% Decrease | 1% Increase           |             |
| District's proportionate share of the net OPEB asset | \$ 405,136  | \$ 367,170            | \$ 320,922  |

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

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

**Net Change in Fund Balance**

|   | <u>General fund</u> |
|---|---------------------|
| Budget basis                            | \$ 151,487          |
| Net adjustment for revenue accruals     | 55,192              |
| Net adjustment for expenditure accruals | 196,444             |
| Net adjustment for other sources/uses   | (40,638)            |
| Funds budgeted elsewhere                | (3,029)             |
| Adjustment for encumbrances             | 611,820             |
| GAAP basis                              | \$ 971,276          |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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**NOTE 15 - CONTINGENCIES - (Continued)**

**B. Litigation**

The District is not party to legal proceedings to legal proceedings that, in the opinion of management, would have a material impact on the financial statements.

**NOTE 16 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2021, the District received COVID-19 funding. The District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

**NOTE 17 - SET-ASIDES**

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

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

|   | <u>Capital<br/>Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2020             | \$ -                            |
| Current year set-aside requirement          | 103,930                         |
| Current year qualifying expenditures        | (18,706)                        |
| Current year offsets                        | <u>(144,526)</u>                |
| Total                                       | <u>\$ (59,302)</u>              |
| Balance carried forward to fiscal year 2022 | <u>\$ -</u>                     |
| Set-aside balance June 30, 2021             | <u><u>\$ -</u></u>              |

**NOTE 18 - OTHER COMMITMENTS**

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

| <u>Fund Type</u>   | <u>Year-End<br/>Encumbrances</u> |
|--------------------|----------------------------------|
| General            | \$ 611,297                       |
| Other governmental | <u>158,938</u>                   |
| Total              | <u><u>\$ 770,235</u></u>         |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

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

**NOTE 20 - SUBSEQUENT EVENT**

For fiscal year 2022, District foundation funding received from the State of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the District were funded to the District who, in turn, made the payment to the educating school. For fiscal year 2021, the District reported \$507,668 in revenues and expenditures/expenses related to these programs. Also, during fiscal year 2021, the District reported \$481,419 in tuition and fees from the resident school districts which will be direct funded to the District as the educating entity in fiscal year 2022. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each District. The District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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REQUIRED SUPPLEMENTARY INFORMATION



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

|  | <u>2021</u>  | <u>2020</u>  | <u>2019</u> | <u>2018</u>  |
|--|--------------|--------------|-------------|--------------|
| District's proportion of the net pension liability   | 0.01623050%  | 0.01677020%  | 0.01657950% | 0.01816430%  |
| District's proportionate share of the net pension liability  | \$ 1,073,519 | \$ 1,003,390 | \$ 949,539  | \$ 1,085,277 |
| District's covered payroll   | \$ 565,536   | \$ 553,044   | \$ 494,926  | \$ 656,436   |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 189.82%      | 181.43%      | 191.85%     | 165.33%      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 68.55%       | 70.85%       | 71.36%      | 69.50%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--------------|--------------|--------------|--------------|
| 0.01958290%  | 0.01977800%  | 0.02117600%  | 0.02117600%  |
| \$ 1,433,288 | \$ 1,128,552 | \$ 1,071,705 | \$ 1,259,269 |
| \$ 492,936   | \$ 595,425   | \$ 615,346   | \$ 581,199   |
| 290.77%      | 189.54%      | 174.16%      | 216.67%      |
| 62.98%       | 69.16%       | 71.70%       | 65.52%       |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

|  | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  |
|--|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability   | 0.02089163%  | 0.02156619%  | 0.02147556%  | 0.02138658%  |
| District's proportionate share of the net pension liability  | \$ 5,055,031 | \$ 4,769,233 | \$ 4,721,993 | \$ 5,080,428 |
| District's covered payroll   | \$ 2,524,607 | \$ 2,544,379 | \$ 2,519,950 | \$ 2,288,707 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 200.23%      | 187.44%      | 187.38%      | 221.98%      |
| Plan fiduciary net position as a percentage of the total pension liability                         | 75.48%       | 77.40%       | 77.31%       | 75.30%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|--------------|--------------|--------------|--------------|
| 0.02198678%  | 0.02304450%  | 0.02179425%  | 0.02179425%  |
| \$ 7,359,638 | \$ 6,368,826 | \$ 5,300,688 | \$ 6,314,145 |
| \$ 2,347,914 | \$ 2,339,350 | \$ 2,226,592 | \$ 2,311,838 |
| 313.45%      | 272.25%      | 238.06%      | 273.12%      |
| 66.80%       | 72.10%       | 74.70%       | 69.30%       |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     | <u>2018</u>     |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 89,741       | \$ 79,175       | \$ 74,661       | \$ 66,815       |
| Contributions in relation to the contractually required contribution | <u>(89,741)</u> | <u>(79,175)</u> | <u>(74,661)</u> | <u>(66,815)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll   | \$ 641,007      | \$ 565,536      | \$ 553,044      | \$ 494,926      |
| Contributions as a percentage of covered payroll                     | 14.00%          | 14.00%          | 13.50%          | 13.50%          |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>     | <u>2016</u>     | <u>2015</u>     | <u>2014</u>     | <u>2013</u>     | <u>2012</u>     |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 91,901       | \$ 69,011       | \$ 78,477       | \$ 85,287       | \$ 80,438       | \$ 83,988       |
| <u>(91,901)</u> | <u>(69,011)</u> | <u>(78,477)</u> | <u>(85,287)</u> | <u>(80,438)</u> | <u>(83,988)</u> |
| <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| \$ 656,436      | \$ 492,936      | \$ 595,425      | \$ 615,346      | \$ 581,199      | \$ 624,446      |
| 14.00%          | 14.00%          | 13.18%          | 13.86%          | 13.84%          | 13.45%          |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 366,401       | \$ 353,445       | \$ 356,213       | \$ 352,793       |
| Contributions in relation to the contractually required contribution | <u>(366,401)</u> | <u>(353,445)</u> | <u>(356,213)</u> | <u>(352,793)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll   | \$ 2,617,150     | \$ 2,524,607     | \$ 2,544,379     | \$ 2,519,950     |
| Contributions as a percentage of covered payroll                     | 14.00%           | 14.00%           | 14.00%           | 14.00%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 320,419       | \$ 328,708       | \$ 327,509       | \$ 289,457       | \$ 300,539       | \$ 307,550       |
| <u>(320,419)</u> | <u>(328,708)</u> | <u>(327,509)</u> | <u>(289,457)</u> | <u>(300,539)</u> | <u>(307,550)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 2,288,707     | \$ 2,347,914     | \$ 2,339,350     | \$ 2,226,592     | \$ 2,311,838     | \$ 2,365,769     |
| 14.00%           | 14.00%           | 14.00%           | 13.00%           | 13.00%           | 13.00%           |



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

|   | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| District's proportion of the net OPEB liability   | 0.01675620% | 0.01699610% | 0.01674770% | 0.01828860% | 0.01980680% |
| District's proportionate share of the net OPEB liability  | \$ 364,167  | \$ 427,416  | \$ 464,626  | \$ 490,818  | \$ 564,567  |
| District's covered payroll  | \$ 565,536  | \$ 553,044  | \$ 494,926  | \$ 656,436  | \$ 492,936  |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 64.39%      | 77.28%      | 93.88%      | 74.77%      | 114.53%     |
| Plan fiduciary net position as a percentage of the total OPEB liability                         | 18.17%      | 15.57%      | 13.57%      | 12.46%      | 11.49%      |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

|   | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  |
|---|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability/asset   | 0.02089163%  | 0.02156619%  | 0.02147556%  | 0.02138658%  | 0.02198678%  |
| District's proportionate share of the net OPEB liability/(asset)                                      | \$ (367,170) | \$ (357,188) | \$ (345,090) | \$ 834,425   | \$ 1,175,859 |
| District's covered payroll  | \$ 2,524,607 | \$ 2,544,379 | \$ 2,519,950 | \$ 2,288,707 | \$ 2,347,914 |
| District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll | 14.54%       | 14.04%       | 13.69%       | 36.46%       | 50.08%       |
| Plan fiduciary net position as a percentage of the total OPEB liability/asset                         | 182.10%      | 174.70%      | 176.00%      | 47.10%       | 37.30%       |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <u>2021</u>     | <u>2020</u>    | <u>2019</u>     | <u>2018</u>     |
|--|-----------------|----------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 10,843       | \$ 9,483       | \$ 12,248       | \$ 11,202       |
| Contributions in relation to the contractually required contribution | <u>(10,843)</u> | <u>(9,483)</u> | <u>(12,248)</u> | <u>(11,202)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll   | \$ 641,007      | \$ 565,536     | \$ 553,044      | \$ 494,926      |
| Contributions as a percentage of covered payroll                     | 0.00%           | 0.00%          | 2.26%           | 1.42%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>    | <u>2016</u>    | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 9,302       | \$ 9,858       | \$ 4,629       | \$ 4,629       | \$ 4,301       | \$ 4,683       |
| <u>(9,302)</u> | <u>(9,858)</u> | <u>(4,629)</u> | <u>(4,629)</u> | <u>(4,301)</u> | <u>(4,683)</u> |
| <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| \$ 656,436     | \$ 492,936     | \$ 595,425     | \$ 615,346     | \$ 581,199     | \$ 624,446     |
| 2.00%          | 0.78%          | 0.75%          | 0.74%          | 0.75%          | 23.63%         |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

|  | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution                                  | \$ -         | \$ -         | \$ -         | \$ -         |
| Contributions in relation to the contractually required contribution | -            | -            | -            | -            |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         |
| District's covered payroll   | \$ 2,617,150 | \$ 2,524,607 | \$ 2,544,379 | \$ 2,519,950 |
| Contributions as a percentage of covered payroll                     | 0.00%        | 0.00%        | 0.00%        | 0.00%        |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  | <u>2012</u>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ -         | \$ -         | \$ -         | \$ 22,266    | \$ 23,118    | \$ 23,658    |
| -            | -            | -            | (22,266)     | (23,118)     | (23,658)     |
| <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| \$ 2,288,707 | \$ 2,347,914 | \$ 2,339,350 | \$ 2,226,592 | \$ 2,311,838 | \$ 2,365,769 |
| 0.00%        | 0.00%        | 0.00%        | 1.00%        | 1.00%        | 1.00%        |

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2021.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2019-2021.

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OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2021.

(Continued)

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%. For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021. For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate. For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.



**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  
*Government Auditing Standards***

Strasburg-Franklin Local School District  
Tuscarawas County  
140 North Bodmer Avenue  
Strasburg, Ohio 44680

To the Members of the Board of Education:

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 Strasburg-Franklin Local School District, Tuscarawas County, Ohio, as of and for the fiscal years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Strasburg-Franklin Local School District's basic financial statements, and have issued our report thereon dated April 15, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Strasburg-Franklin Local School District's internal control over financial reporting (internal control) as a basis for designing 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 Strasburg-Franklin Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Strasburg-Franklin Local School 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 Strasburg-Franklin Local School 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-003, that we consider to be a significant deficiencies.

Strasburg-Franklin Local School District  
Tuscarawas County

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 *Government Auditing Standards*

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

As part of obtaining reasonable assurance about whether the Strasburg-Franklin Local School 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 items, 2022-001 and 2022-002.

### **Strasburg-Franklin Local School District's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Strasburg-Franklin Local School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Strasburg-Franklin Local School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **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 Strasburg-Franklin Local School 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 Strasburg-Franklin Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
April 15, 2024

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2022 AND 2021**

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|--|----------|
| Finding Number   | 2022-001 |

Significant Deficiency/Noncompliance – Bank Reconciliation/Outstanding Checks

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. Furthermore, Ohio Rev. Code § 9.39 provides, in part, that all money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office.

The District contracted with an outside accounting firm to perform bank to book reconciliations throughout the audit period. These reconciliations included several reconciling items identified as items posted to the bank accounts but not posted to the accounting system. After the noted items were presented to the Treasurer, postings were made to the accounting system. In addition, multiple outstanding checks were noted, at June 30, 2022 and 2021, which were outstanding for more than one year.

Failure to post monthly reconciling items increases the possibility that the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of properly posting reconciling items to the accounting system increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements. In addition, failure to adequately monitor the outstanding check list makes the reconciliation process cumbersome and increases the susceptibility that checks may be redeemed by someone other than the intended payee.

We recommend the District consider implementing additional controls/procedures to help ensure any discrepancies noted in a month are properly investigated and corrected in the District’s accounting system during each month end reconciliation process. We also recommend that long outstanding checks should periodically be investigated and determine the appropriate action. Appropriate actions would include, but are not limited to, voiding and reissuing the check or creating and paying the monies into an Unclaimed Monies Fund as per Auditor of State Bulletin 91-11.

Client Response:

We have separated duties for staff now, and have the process for closing the year, reconciliation, and producing end of year financials for our auditors.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2022 AND 2021**

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|--|----------|
| Finding Number   | 2022-002 |

Noncompliance

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. In addition, Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section states that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The District did not properly modify its appropriations throughout the 2022 fiscal year and at year-end. Due to not properly modifying appropriations, disbursements exceeded appropriations for certain examined funds in fiscal year 2022.

By not timely and properly modifying the District's appropriations, the District may not adequately monitor appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend the District comply with the Ohio Revised Code by monitoring disbursements, so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary throughout the fiscal year and at fiscal year end.

Client Response:

The then and now certificate was instituted by the interim treasurer in July 2022 and we have kept the practice since my hire in January 2023. We have a listing on the board meeting agenda each month for such an occurrence over the \$3,000 threshold.

|                |          |
|----------------|----------|
| Finding Number | 2022-003 |
|----------------|----------|

Significant Deficiency/Internal Controls– Segregation of Duties - Treasurer

Ohio Admin. Code § 117-2-01(D)(4) requires, in part, that entities plan for adequate segregation of duties or compensating controls. Segregation of duties provides two significant benefits: (1) a deliberate fraud is more difficult because it requires collusion of two or more persons and (2) it is more likely an error will be detected. When designing the District's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

Proper segregation of duties is not possible when only one or two people handle the majority of aspects of the internal control cycle (record keeping, authorization, custody and reconciliation).

The Treasurer had the ability to perform the following duties:

- Open mail and process the money through the accounting system
- Prepare and make the daily deposits with the bank
- Prepare and make disbursement vouchers
- Post transactions in the accounting system
- Determine adjustments and post to the accounting system
- Prepare the monthly bank reconciliations
- Process and post payroll, leave time, severance

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2022 AND 2021**

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |                      |
|--|----------------------|
| Finding Number   | 2022-003 (continued) |

Allowing one individual to perform all of these functions, without supervisory reviews, did not provide for proper segregation of duties and could allow the manipulation of records and misappropriation of assets in the normal course of business to occur without being detected.

While it is not always possible to segregate duties in a small government, we recommend additional monitoring controls should be implemented to help reduce the risk of errors or irregularities not being detected in a timely manner. Periodically, an audit committee comprised of Board members should review perform a detailed review of the monthly financial packet and randomly perform onsite spot checks.

*Client Response:*

We have separated duties for staff now, and have the process for closing the year, reconciliation, and producing end of year financials for our auditors.

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# OHIO AUDITOR OF STATE KEITH FABER



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT**

**TUSCARAWAS 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 8/27/2024**

65 East State 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)