



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FREDERICKTOWN LOCAL SCHOOL DISTRICT  
KNOX COUNTY  
JUNE 30, 2021**

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KNOX COUNTY  
JUNE 30, 2021

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Fredericktown Local School District  
Knox County  
117 Columbus Road  
Fredericktown, Ohio 43019

To the Board of Education:

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

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

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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Efficient • Effective • Transparent

***Opinion***

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

***Accounting Basis***

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

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted to opine on the financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Information***

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2022

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**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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The discussion and analysis of Fredericktown Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2021 are as follows:

- Despite an increase in disbursements, net position increased from the prior fiscal year due to an increase in receipts. The increase in receipts was mainly due to an increase in operating grants, contributions and interest program receipts resulting from new grants, Elementary and Secondary School Emergency Relief (ESSER) and Coronavirus Relief Fund (CRF), as well as an increase in Federal program reimbursements for food services due to all students being eligible for a free lunch.
- During fiscal year 2021, the School District purchased curriculum, chromebooks and supplies for students to be one-to-one because students were not able to share supplies or devices.
- Certificated employees received a 2 percent increase in base salary, and non-certificated employees also received a 2 percent increase in base salary.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Government Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the School District's government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the School District as a Whole**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2021, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts and interest are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well, such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property taxes.

In the statement of net position and the statement of activities, all School District activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, operation of food service and extracurricular activities.

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

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and proprietary.

Governmental Funds – Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental fund is the general fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
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Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The School District has no enterprise funds. When the services are provided to other departments of the School District, the service is reported as an internal service fund. The School District has one internal service fund for self-insurance.

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2021 compared to fiscal year 2020 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2021	2020	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$10,102,552	\$9,377,405	\$725,147
Cash and Cash Equivalents with Fiscal Agents	3,858,365	3,876,587	(18,222)
Total Assets	\$13,960,917	\$13,253,992	\$706,925
 <b>Net Position</b>			
Restricted	\$1,077,789	\$1,010,697	\$67,092
Unrestricted	12,883,128	12,243,295	639,833
Total Net Position	\$13,960,917	\$13,253,992	\$706,925

Net position increased from the prior fiscal year due to the increase in receipts, which was partly offset by an increase in disbursements. The increase in receipts was mainly due to an increase in operating grants, contributions and interest program receipts resulting primarily from Elementary and Secondary School Emergency Relief (ESSER) and Coronavirus Relief Fund (CRF) grants, as well as an increase in program reimbursements for food services. The increase in federal reimbursements for food service was due to every student being eligible for a free lunch.

The increase in disbursements was primarily related to increases in disbursements for regular instruction and for operation and maintenance of plant support services. The increase in disbursements for regular instruction was mainly due to the purchase of computers for instructional purposes as well as classroom supplies, both of which were funded through the ESSER and CRF grants. The increase in disbursements for operation and maintenance of plant was mainly related to paving paid from the permanent improvement fund and the purchase of maintenance supplies paid from the ESSER grant.

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*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
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Table 2 shows the change in net position for fiscal year 2021 compared to fiscal year 2020 for governmental activities:

(Table 2)  
**Change in Net Position**

	Governmental Activities		
	2021	2020	Change
<b>Receipts</b>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$1,650,607	\$1,737,508	(\$86,901)
Operating Grants, Contributions and Interest	2,354,483	1,828,234	526,249
Capital Grants and Contributions	27,006	26,899	107
<b>Total Program Receipts</b>	<b>4,032,096</b>	<b>3,592,641</b>	<b>439,455</b>
<i>General Receipts:</i>			
Property Taxes	4,945,339	4,583,754	361,585
Grants and Entitlements	6,036,891	5,964,803	72,088
Unrestricted Contributions	580	1,500	(920)
Interest	57,615	233,777	(176,162)
Miscellaneous	191,758	116,570	75,188
<b>Total General Receipts</b>	<b>11,232,183</b>	<b>10,900,404</b>	<b>331,779</b>
<b>Total Receipts</b>	<b>15,264,279</b>	<b>14,493,045</b>	<b>771,234</b>
<b>Disbursements</b>			
<i>Instruction:</i>			
Regular	6,291,816	5,878,974	(412,842)
Special	2,105,151	2,042,593	(62,558)
Vocational	147,764	143,024	(4,740)
<i>Support Services:</i>			
Pupil	732,057	705,269	(26,788)
Instructional Staff	232,414	397,751	165,337
Board of Education	52,018	71,757	19,739
Administration	962,251	1,042,817	80,566
Fiscal	384,476	403,496	19,020
Business	15,848	19,248	3,400
Operation and Maintenance of Plant	1,114,912	882,826	(232,086)
Pupil Transportation	685,198	686,536	1,338
Central	150,749	119,553	(31,196)
Operation of Non-Instructional Services	451,031	413,365	(37,666)
Extracurricular Activities	539,892	504,475	(35,417)
Debt Service	691,777	701,280	9,503
<b>Total Disbursements</b>	<b>14,557,354</b>	<b>14,012,964</b>	<b>(544,390)</b>
<b>Change in Net Position</b>	<b>706,925</b>	<b>480,081</b>	<b>226,844</b>
<b>Net Position Beginning of Year</b>	<b>13,253,992</b>	<b>12,773,911</b>	<b>480,081</b>
<b>Net Position End of Year</b>	<b>\$13,960,917</b>	<b>\$13,253,992</b>	<b>\$706,925</b>

Grants and entitlements are the School District's largest source of receipts, followed by property taxes. The School District carefully monitors both these receipts and uses both a five year forecast and a spending plan to predict future receipts and disbursements of the School District. Grants and entitlements general receipts increased primarily due to a small increase in State foundation funding, since the fiscal year 2021 reduction

**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
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was less than the fiscal year 2020 reduction ordered by the Governor in response to the pandemic. The School District's State aid was reduced from fiscal year 2019 levels by \$95,600 for fiscal year 2021, as compared to \$211,711 for fiscal year 2020. Also with the change in State aid, the School District received additional student growth dollars for fiscal year 2021. These monies were based on the historical growth in students over the past three years.

Some of the significant disbursements during fiscal year 2021 were in the categories of regular and special instruction. Regular and special instruction disbursements are primarily salary and benefit costs for the School District's teachers. Salary and benefit costs decreased slightly due to a decrease in internal service fund charges to the funds due to a premium holiday, despite step increases and 2 percent increases in base salary for certificated and non-certificated employees. However, the overall increase in regular instruction disbursements for fiscal year 2021 was primarily due to the grant-funded purchase of curriculum and chromebooks.

The increase in disbursements for the operation and maintenance of plant was due to paving and the purchase of sanitation supplies.

**Governmental Activities**

If you look at the statement of activities on page 15, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services. The next three columns of the statement entitled program receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipts (disbursements) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers, unrestricted grants and other miscellaneous receipts. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Total and Net Cost of Program Services**

	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
	2021	2021	2020	2020
Instruction	\$8,544,731	\$5,532,893	\$8,064,591	\$5,283,856
Support Services:				
Pupil and Instructional Staff	964,471	822,626	1,103,020	957,537
Board of Education, Administration, Fiscal and Business	1,414,593	1,413,767	1,537,318	1,536,754
Operation and Maintenance of Plant	1,114,912	907,492	882,826	820,491
Pupil Transportation	685,198	640,298	686,536	673,032
Central	150,749	129,909	119,553	114,153
Operation of Non-Instructional Services	451,031	(21,099)	413,365	5,199
Extracurricular Activities	539,892	407,595	504,475	328,021
Debt Service	691,777	691,777	701,280	701,280
Total Disbursements	<u>\$14,557,354</u>	<u>\$10,525,258</u>	<u>\$14,012,964</u>	<u>\$10,420,323</u>

**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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**The School District's Funds**

Information about the School District's major funds starts on page 16. Total governmental funds had an increase in total receipts from the prior fiscal year, primarily due to increases in property taxes and intergovernmental receipts. The ESSER and CRF grants, as well as increases in program reimbursements for food services, primarily contributed to the increase in intergovernmental receipts. The increase in property taxes was primarily due to an increase in assessed values. The increase in disbursements for total governmental funds was primarily due to increases in regular instruction and operation and maintenance of plant support services. These increases in disbursements resulted from the purchase of curriculum, chromebooks and sanitation supplies, as well as a paving project. The net change for fiscal year 2021 was an increase in fund balance.

The general fund had an increase in fund balance for fiscal year 2021 due to an increase in receipts and a decrease in disbursements from the prior fiscal year. The increase in receipts was primarily due to the increase in property taxes resulting from the increase in assessed values. The decrease in disbursements was mainly due to decreases in disbursements for instructional staff and administration support services as a result of decreases in insurance and purchased services (educational service center costs), as well as hiring staff with less experience.

**General Fund Budgeting Highlights**

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

During fiscal year 2021, the School District amended its general fund budget a few times to allow for changes to the budget.

For the general fund, the final budget receipts estimate was an increase from the original budget estimate. Actual receipts were slightly higher than the final estimate, due to higher than anticipated interest and miscellaneous receipts.

The final appropriations estimate was equal to the original appropriations. Actual disbursements were less than anticipated. This difference is due to the fact that the School District did not spend what it anticipated in every disbursement category, especially instruction and pupil, administration, fiscal, operation and maintenance of plant, and pupil transportation support services and extracurricular activities.

**Capital Assets and Debt Administration**

**Capital Assets**

The School District maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

**Debt**

At June 30, 2021, the School District's outstanding debt included \$3,486,792 in general obligation bonds issued for improvements to buildings and structures, \$198,225 in energy conservation notes and a \$613,000 capital lease balance pertaining to School District construction. The School District's overall debt margin was \$14,173,983 with an unvoted debt margin of \$191,895 at June 30, 2021. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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**Current Issues**

The School District has been with United Health Care and United Medical Resources since November 1, 2012. Over the last 5 years, the School District has experienced a 2.11 percent average increase in medical premiums annually, compared to 5.75 percent in years prior to the change in medical providers and third-party administrators. The School District maintains a \$35,000 individual claim limit per month for internal pool and \$500,000 for stop loss insurance. With the School District's change in medical providers and third-party administrators in 2012, the School District was able to observe a 0 percent increase in medical premiums in fiscal years 2015, 2019 and 2021 and was able to take premium holidays for the staff and the Board in fiscal years 2015, 2016, 2019, and 2021. The increase in medical premiums was 3.31 percent in fiscal year 2017, 4.71 percent in fiscal year 2018, 0 percent in fiscal year 2019, 2.53 percent in fiscal year 2020, and 0 percent in fiscal year 2021.

The end of fiscal year 2019 marked the expiration of the three-year contracts for teachers and classified employees. In August 2019, new labor agreements were approved for the period July 1, 2019, through June 30, 2022, with salary increases set at 2 percent for fiscal years 2020 and 2021 and 2.5 percent for fiscal year 2022.

School districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes increased slightly in fiscal years 2018 and 2019, due to increases in real property values, while agricultural values decreased slightly in fiscal years 2019 and 2020. The County had a reappraisal for tax year 2020, which resulted in the School District hitting the 20-mill floor. This generated new revenue for the School District. Personal property increased 8 percent and commercial property increased 12 percent. Management must plan expenses accordingly, staying within the School District's five-year plan.

In conclusion, the School District's systems of budgeting and internal controls are well-regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Performance Index**

The School District received a "B" for the 2017-2018 school year. Gap closing overall grade was an "A"; gifted was a "C"; the graduation rate was an "A"; progress was a "B", while K-3 literacy was a "C". The School District received a "B" for the 2018-2019 school year. Gap closing overall grade was an "A"; gifted was a "C"; the graduation rate was an "A"; progress was an "A", K-3 literacy was a "C", and prepared for success was a "D". Committed to providing a top-notch educational experience for every student, the staff has embraced the Ohio Improvement Process as a means to make educational decisions using data. Teacher Based Teams (TBTs) meet weekly to review formative data and to plan next steps in instruction, remediation, and enrichment. With this approach, the dedicated staff at the School District will continue to improve the overall growth and achievement of our students. Our motto in Fredericktown is "Every Day, Everyone Learning and Adapting to Excel in a Changing World." Our staff is committed, focused, and has worked to build strong learning communities in our buildings. These learning communities initiated quarterly assessments, analyzed data, and emphasized critical thinking and problem solving. Our curriculum team worked diligently on aligning the curriculum to the State standards. Most importantly, we have students who care about their education and a community that supports our schools.

**Fredericktown Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
*Unaudited*

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**Contacting the School District's Financial Management**

This financial report is designed to provide our parents, citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Heather Darnold, Treasurer at Fredericktown Local School District, 117 Columbus Road, Fredericktown, Ohio 43019 or e-mail at [hdarnold@fredschools.com](mailto:hdarnold@fredschools.com).

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## **Basic Financial Statements**

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**Fredericktown Local School District**

*Statement of Net Position - Cash Basis*

*June 30, 2021*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,102,552
Cash and Cash Equivalents with Fiscal Agents	<u>3,858,365</u>
<i>Total Assets</i>	<u><u>\$13,960,917</u></u>
<b>Net Position</b>	
Restricted for:	
Capital Projects	\$143,155
Debt Service	418,477
Food Service Operations	168,847
Classroom Maintenance	126,360
Student Wellness and Success	144,100
Other Purposes	76,850
Unrestricted	<u>12,883,128</u>
<i>Total Net Position</i>	<u><u>\$13,960,917</u></u>

See accompanying notes to the basic financial statements

**Fredericktown Local School District**

*Statement of Activities - Cash Basis*

*For the Fiscal Year Ended June 30, 2021*

	Program Receipts			Net Receipts (Disbursements) and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$6,291,816	\$1,501,837	\$491,053	\$0	(\$4,298,926)
Special	2,105,151	0	989,107	0	(1,116,044)
Vocational	147,764	0	29,841	0	(117,923)
Support Services:					
Pupil	732,057	0	101,425	0	(630,632)
Instructional Staff	232,414	0	40,420	0	(191,994)
Board of Education	52,018	0	0	0	(52,018)
Administration	962,251	0	0	0	(962,251)
Fiscal	384,476	0	0	826	(383,650)
Business	15,848	0	0	0	(15,848)
Operation and Maintenance of Plant	1,114,912	0	181,240	26,180	(907,492)
Pupil Transportation	685,198	0	44,900	0	(640,298)
Central	150,749	0	20,840	0	(129,909)
Operation of Non-Instructional Services	451,031	16,773	455,357	0	21,099
Extracurricular Activities	539,892	131,997	300	0	(407,595)
Debt Service:					
Principal Retirement	530,901	0	0	0	(530,901)
Interest and Fiscal Charges	160,876	0	0	0	(160,876)
<b>Total</b>	<b>\$14,557,354</b>	<b>\$1,650,607</b>	<b>\$2,354,483</b>	<b>\$27,006</b>	<b>(10,525,258)</b>
<b>General Receipts</b>					
Property Taxes Levied for:					
					4,246,713
					224,578
					417,904
					56,144
Grants and Entitlements not Restricted to Specific Programs					6,036,891
Unrestricted Contributions					580
Interest					57,615
Miscellaneous					191,758
<b>Total General Receipts</b>					<b>11,232,183</b>
Change in Net Position					706,925
<i>Net Position Beginning of Year</i>					<u>13,253,992</u>
<i>Net Position End of Year</i>					<u><u>\$13,960,917</u></u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$9,024,763	\$1,077,789	\$10,102,552
<b>Fund Balances</b>			
Restricted	\$0	\$1,077,789	\$1,077,789
Assigned	3,847,265	0	3,847,265
Unassigned	5,177,498	0	5,177,498
<i>Total Fund Balances</i>	\$9,024,763	\$1,077,789	\$10,102,552

See accompanying notes to the basic financial statements

**Fredericktown Local School District**  
*Reconciliation of Total Governmental Fund Cash Balances to  
Net Position of Governmental Cash Activities  
June 30, 2021*

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**Total Governmental Funds Balances** \$10,102,552

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

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

3,858,365

*Net Position of Governmental Activities*

\$13,960,917

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>			
Property Taxes	\$4,246,713	\$698,626	\$4,945,339
Intergovernmental	6,643,167	1,774,855	8,418,022
Interest	17,831	58	17,889
Tuition and Fees	1,485,205	0	1,485,205
Extracurricular Activities	1,866	129,081	130,947
Contributions and Donations	580	300	880
Charges for Services	2,422	16,773	19,195
Rentals	15,260	0	15,260
Miscellaneous	132,451	180	132,631
<i>Total Receipts</i>	<u>12,545,495</u>	<u>2,619,873</u>	<u>15,165,368</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	5,749,634	485,175	6,234,809
Special	1,772,043	308,330	2,080,373
Vocational	137,625	9,423	147,048
Support Services:			
Pupil	661,454	66,140	727,594
Instructional Staff	200,152	31,714	231,866
Board of Education	52,018	0	52,018
Administration	954,100	0	954,100
Fiscal	370,072	10,293	380,365
Business	15,848	0	15,848
Operation and Maintenance of Plant	756,916	355,309	1,112,225
Pupil Transportation	636,637	41,776	678,413
Central	129,852	20,840	150,692
Operation of Non-Instructional Services	0	445,433	445,433
Extracurricular Activities	402,702	134,958	537,660
Debt Service:			
Principal Retirement	43,901	487,000	530,901
Interest and Fiscal Charges	11,223	149,653	160,876
<i>Total Disbursements</i>	<u>11,894,177</u>	<u>2,546,044</u>	<u>14,440,221</u>
<i>Net Change in Fund Balances</i>	651,318	73,829	725,147
<i>Fund Balances Beginning of Year</i>	<u>8,373,445</u>	<u>1,003,960</u>	<u>9,377,405</u>
<i>Fund Balances End of Year</i>	<u><u>\$9,024,763</u></u>	<u><u>\$1,077,789</u></u>	<u><u>\$10,102,552</u></u>

See accompanying notes to the basic financial statements

**Fredericktown Local School District**

*Reconciliation of the Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2021*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$725,147</b>
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

	<u>(18,222)</u>
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$706,925</u></u>
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See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property Taxes	\$4,227,751	\$4,246,713	\$4,246,713	\$0
Intergovernmental	6,397,275	6,643,167	6,643,167	0
Interest	75,000	17,550	17,831	281
Tuition and Fees	1,195,988	1,442,373	1,442,373	0
Contributions and Donations	1,650	580	580	0
Charges for Services	2,223	2,422	2,422	0
Rentals	14,491	15,260	15,260	0
Miscellaneous	80,192	130,531	132,451	1,920
<i>Total Receipts</i>	<u>11,994,570</u>	<u>12,498,596</u>	<u>12,500,797</u>	<u>2,201</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	6,710,851	6,820,411	5,724,229	1,096,182
Special	2,601,966	2,554,862	1,772,043	782,819
Vocational	149,949	151,762	137,552	14,210
Support Services:				
Pupil	907,911	970,186	661,454	308,732
Instructional Staff	416,468	365,996	291,080	74,916
Board of Education	109,512	111,180	74,339	36,841
Administration	1,195,938	1,191,902	954,670	237,232
Fiscal	547,238	515,560	370,072	145,488
Business	36,000	36,000	15,848	20,152
Operation and Maintenance of Plant	1,045,654	1,033,131	768,249	264,882
Pupil Transportation	862,064	876,313	638,448	237,865
Central	211,632	149,191	130,498	18,693
Extracurricular Activities	525,087	543,776	400,772	143,004
Debt Service:				
Principal Retirement	56,000	56,000	43,901	12,099
Interest and Fiscal Charges	13,000	13,000	11,223	1,777
<i>Total Disbursements</i>	<u>15,389,270</u>	<u>15,389,270</u>	<u>11,994,378</u>	<u>3,394,892</u>
<i>Net Change in Fund Balance</i>	(3,394,700)	(2,890,674)	506,419	3,397,093
<i>Fund Balance Beginning of Year</i>	8,226,041	8,226,041	8,226,041	0
Prior Year Encumbrances Appropriated	<u>29,644</u>	<u>29,644</u>	<u>29,644</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4,860,985</u>	<u>\$5,365,011</u>	<u>\$8,762,104</u>	<u>\$3,397,093</u>

See accompanying notes to the basic financial statements

**Fredericktown Local School District**  
*Statement of Fund Net Position - Cash Basis*  
*Internal Service Fund*  
*June 30, 2021*

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	<u>Insurance</u>
<b>Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	<u>\$3,858,365</u>
<b>Net Position</b>	
Unrestricted	<u>\$3,858,365</u>

See accompanying notes to the basic financial statements

**Fredericktown Local School District**

*Statement of Receipts, Disbursements  
and Changes in Net Position - Cash Basis  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2021*

	<u>Insurance</u>
<b>Operating Receipts</b>	
Charges for Services	\$2,019,891
Other	59,127
	<u>2,079,018</u>
<i>Total Operating Receipts</i>	<u>2,079,018</u>
<b>Operating Disbursements</b>	
Purchased Services	749,254
Claims	1,387,770
	<u>2,137,024</u>
<i>Total Operating Disbursements</i>	<u>2,137,024</u>
<i>Operating Loss</i>	(58,006)
<b>Non-Operating Receipts</b>	
Interest	39,784
	<u>39,784</u>
<i>Change in Net Position</i>	(18,222)
<i>Net Position Beginning of Year</i>	<u>3,876,587</u>
<i>Net Position End of Year</i>	<u><u>\$3,858,365</u></u>

See accompanying notes to the basic financial statements

## **Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### **Note 1 – Reporting Entity**

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

The School District was established in 1876. The School District serves an area of approximately 94 square miles. It encompasses most of the northwest quadrant of Knox County, including the Village of Fredericktown and portions of surrounding townships. In addition, a small portion of Morrow County is included in the School District boundaries. It is staffed by 52 classified employees and 89 certificated employees who provide services to 1,248 students and other community members. The School District currently operates 3 instructional buildings and 2 support buildings.

#### ***Primary Government***

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

#### ***Component Units***

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

#### ***Other Organizations***

The School District participates in the Metropolitan Educational Technology Association, a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Jefferson Health Plan, both insurance purchasing pools. These organizations are presented in Note 15 to the basic financial statements.

### **Note 2 – Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting Portion of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

### ***Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. The School District, however, has no business-type activities.

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

***Fund Financial Statement*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

### ***Fund Accounting***

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

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**Governmental Funds** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The general fund is the School District's only major governmental fund.

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

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

**Proprietary Funds** The School District classifies funds financed primarily from user charges for goods or services as proprietary. The School District only has an internal service fund.

**Internal Service Fund** The internal service fund accounts for and supports the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, surgical and dental claims for School District employees.

### ***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

### ***Budgetary Process***

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were passed by the Board.

## **Fredericktown Local School District**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2021*

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

#### ***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2021, investments were limited to STAR Ohio, the State Treasurer’s Investment Pool. 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 School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides 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, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2021 amounted to \$17,831 which includes \$1,850 assigned from other School District funds.

The School District participates in the Jefferson Health Plan insurance consortium for self-insurance. These monies are reflected on the statement of net position as “cash and cash equivalents with fiscal agents.” The Jefferson County Educational Service Center serves as the fiscal agent for the insurance consortium.

#### ***Inventory and Prepaid Items***

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

## **Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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### ***Capital Assets***

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

### ***Accumulated Leave***

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

### ***Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

### ***Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability (asset), 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.

### ***Long-Term Obligations***

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

### ***Net Position***

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for athletics and music, student activities, and student instruction. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

### ***Fund Balance***

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

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

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or State statute. State statute authorizes the Treasurer to assign fund balance to purchases on order provided such amounts have been lawfully appropriated. The School District Board of Education assigned fund balance for public school support and to cover a gap between estimated revenue and appropriations in the fiscal year 2022 budget.

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

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

### **Note 3 – Compliance**

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

### **Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budgetary basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$128,897. Also, the uniform school supplies, latchkey, and public school support funds are included with the general fund on the statement of assets and fund balances, as they do not have a committed or restricted receipt source. The perspective differences for these funds are \$103,031, \$2,963, and \$27,768, respectively.

### Note 5 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<b><i>Restricted for:</i></b>			
Capital Projects	\$0	\$143,155	\$143,155
Debt Service	0	418,477	418,477
Food Service Operations	0	168,847	168,847
Classroom Maintenance	0	126,360	126,360
Student Wellness and Success	0	144,100	144,100
<b><i>Other Purposes:</i></b>			
Athletics and Music	0	25,553	25,553
Student Activities	0	49,418	49,418
Student Instruction	0	1,879	1,879
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,077,789</b>	<b>1,077,789</b>
<b><i>Assigned to:</i></b>			
Fiscal Year 2022 Operations	3,690,600	0	3,690,600
<b><i>Purchases on Order:</i></b>			
Support Services	127,609	0	127,609
Extracurricular Activities	1,288	0	1,288
Public School Support	27,768	0	27,768
<b><i>Total Assigned</i></b>	<b>3,847,265</b>	<b>0</b>	<b>3,847,265</b>
<b><i>Unassigned</i></b>	<b>5,177,498</b>	<b>0</b>	<b>5,177,498</b>
<b><i>Total Fund Balances</i></b>	<b>\$9,024,763</b>	<b>\$1,077,789</b>	<b>\$10,102,552</b>

### Note 6 – Deposits and Investments

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

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

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
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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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and

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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.

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

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.

At June 30, 2021, the School District's self-insurance internal service fund had a balance of \$3,858,365 with the Jefferson Health Plan, a claims servicing pool (see Note 15). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, Steubenville, Ohio 43952.

**Investments** As of June 30, 2021, the School District only had an investment of \$95,110 in STAR Ohio, the State Treasurer's Investment Pool. This investment has an average maturity of 54.4 days.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer.

### Note 7 – Property Taxes

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

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Property taxes include amounts levied against all real property and public utility property located in the School District. 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 tangible personal property taxes received in calendar year 2021 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.

The School District receives property taxes from Knox and Morrow Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2021, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2020 Second Half Collections		2021 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$162,598,550	92.47 %	\$178,333,130	92.93 %
Public Utility Personal	13,232,450	7.53	13,561,380	7.07
Total	\$175,831,000	100.00 %	\$191,894,510	100.00 %

Full Tax Rate per \$1,000 of assessed valuation	\$46.73	\$46.26
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During fiscal year 2021, the tax rate decreased due to decreases in both the substitute levy rate and the bond retirement rate. The substitute levy rate decreased due to the increase in assessed values, and the bond retirement rate decreased so that the bond levy would meet its collection amount in order to provide for debt payments, which decreased from the prior fiscal year.

***Property Tax Abatements***

For fiscal year 2021, the School District's property taxes were reduced as follows under enterprise zone agreements entered into by overlapping governments:

<u>Overlapping Government</u>	<u>Amount of Fiscal Year 2021 Taxes Abated</u>
Wayne Township	\$12,966
Village of Fredericktown	8,585
Total	\$21,551

**Fredericktown Local School District**

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**Note 8 – Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability (Asset)***

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

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

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

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

The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the modified cash basis framework.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

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

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

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Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent COLA for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$221,919 for fiscal year 2021.

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

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

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

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 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 to 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 2021 employer and employee contribution rates of 14 percent were equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

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The School District’s contractually required contribution to STRS was \$759,345 for fiscal year 2021.

***Net Pension Liability***

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.04468570%	0.04443147%	
Current Measurement Date	<u>0.04468800%</u>	<u>0.04417493%</u>	
Change in Proportionate Share	<u>0.00000230%</u>	<u>-0.00025654%</u>	
 Proportionate Share of the Net Pension Liability	 \$2,955,758	 \$10,688,761	 \$13,644,519

***Actuarial Assumptions – SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2020, are presented as follows:

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,049,028	\$2,955,758	\$2,038,484

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***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 as follows:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and do 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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**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$15,218,935	\$10,688,761	\$6,849,816

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2021, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 9 – Defined Benefit OPEB Plans**

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

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

**Health Care Plan Description** – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides health care 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.

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$30,570.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$30,570 for fiscal year 2021.

### ***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 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. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to postemployment health care.

### ***Net OPEB Liability (Asset)***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

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	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.04583830%	0.04443147%	
Current Measurement Date	0.04653620%	0.04417493%	
Change in Proportionate Share	0.00069790%	-0.00025654%	
Proportionate Share of the:			
Net OPEB Liability	\$1,011,384	\$0	\$1,011,384
Net OPEB Asset	0	776,374	776,374

### ***Actuarial Assumptions – SERS***

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented as follows:

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

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020, was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

**Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

	1% Decrease (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
School District's Proportionate Share of the Net OPEB Liability	\$1,237,909	\$1,011,384	\$831,297

  

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's Proportionate Share of the Net OPEB Liability	\$796,388	\$1,011,384	\$1,298,889

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented as follows:

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.00 percent initial, 4 percent ultimate
Medicare	-6.69 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	6.50 percent initial, 4 percent ultimate
Medicare	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021, premium based on June 30, 2020, enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021, from 1.984 percent to 2.055 percent 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 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

**Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 8.

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the School District’s proportionate share of the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District’s proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the School District’s proportionate share of 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 <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District's Proportionate Share of the Net OPEB Asset	\$675,496	\$776,374	\$861,965

  

	1% Decrease <u></u>	Current Trend Rate <u></u>	1% Increase <u></u>
School District's Proportionate Share of the Net OPEB Asset	\$856,652	\$776,374	\$678,583

**Note 10 – Contingencies**

**Grants**

The School District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2021, if applicable, cannot be determined at this time.

**School Foundation**

In fiscal year 2021, School District Foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2021 have been finalized, and the School District was underpaid \$443, which will be paid through future foundation settlements.

**Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**Litigation**

As of June 30, 2021, the School District was not party to any legal proceedings.

**Note 11 – Debt**

Changes in long-term obligations of the School District during fiscal year 2021 were as follows:

	Principal Outstanding 6/30/2020	Additions	Reductions	Principal Outstanding 6/30/2021	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2006 Refunding School Bonds:					
Current Issue Serial Bonds	\$1,155,000	\$0	(\$365,000)	\$790,000	\$385,000
Unamortized Premium	35,704	0	(14,282)	21,422	0
Unamortized Accounting Loss	(74,305)	0	8,828	(65,477)	0
<b>Total 2006 Refunding School Bonds</b>	<b>1,116,399</b>	<b>0</b>	<b>(370,454)</b>	<b>745,945</b>	<b>385,000</b>
2016 Refunding Bonds:					
Term Bonds	2,760,000	0	(35,000)	2,725,000	35,000
Unamortized Accounting Gain	17,984	0	(2,137)	15,847	0
<b>Total 2016 Refunding Bonds</b>	<b>2,777,984</b>	<b>0</b>	<b>(37,137)</b>	<b>2,740,847</b>	<b>35,000</b>
<b>Total General Obligation Bonds</b>	<b>3,894,383</b>	<b>0</b>	<b>(407,591)</b>	<b>3,486,792</b>	<b>420,000</b>
<b>Other Long-Term Obligations</b>					
2010 Energy Conservation Notes	242,126	0	(43,901)	198,225	46,057
Capital Leases	700,000	0	(87,000)	613,000	91,000
<b>Total Other Long-Term Obligations</b>	<b>942,126</b>	<b>0</b>	<b>(130,901)</b>	<b>811,225</b>	<b>137,057</b>
<b>Total Governmental Activities</b>	<b>\$4,836,509</b>	<b>\$0</b>	<b>(\$538,492)</b>	<b>\$4,298,017</b>	<b>\$557,057</b>

On December 28, 2006, the School District issued \$4,295,000 in voted general obligation bonds which included serial, capital appreciation (deep discount) and term bonds in the amount of \$2,760,000, \$30,000 and \$1,505,000, respectively. The general obligation bonds were issued at 3.75 to 5.25 percent interest rate for the purpose of refunding a portion of the 2001 school improvement bonds to take advantage of lower interest rates. The current issue term bonds will be repaid through annual debt service payments through fiscal year 2029. The bonds were issued for a twenty-two year period with final maturity at December 1, 2028. The capital appreciation bonds matured in fiscal year 2020.

On September 8, 2016, the School District issued \$2,840,000 in voted general obligation term bonds with an interest rate of 2.5 percent. The proceeds were used to current refund \$2,840,000 of outstanding 2006 refunding school bonds which had interest rates ranging from 4.125 percent to 4.25 percent. The bonds were issued for a twelve year period with final maturity at December 1, 2028.

*Optional Redemption* The term bonds are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2024, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

**Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

*Mandatory Redemption* The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Amount
2021	\$35,000
2022	40,000
2023	415,000
2024	425,000
2025	440,000
2026	445,000
2027	455,000
Total	<u>\$2,255,000</u>

The remaining principal amount of \$470,000 will be paid at the stated maturity on December 1, 2028.

In fiscal year 2010, a \$600,000 energy conservation note was issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt was issued at a 3.94 to 4.85 percent interest rate and will be fully repaid in fiscal year 2025.

All general obligation bonds will be paid from property taxes from the bond retirement fund. Energy conservation notes will be paid from the general fund. The building capital lease will be paid from the building capital projects fund.

The School District's overall debt margin was \$14,173,983 with an unvoted debt margin of \$191,895 at June 30, 2021. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2022	\$385,000	\$30,888	\$35,000	\$67,687
2023	405,000	10,631	40,000	66,750
2024	0	0	415,000	61,063
2025	0	0	425,000	50,562
2026	0	0	440,000	39,750
2027-2029	0	0	1,370,000	52,000
Total	<u>\$790,000</u>	<u>\$41,519</u>	<u>\$2,725,000</u>	<u>\$337,812</u>

Principal and interest requirements to retire long-term notes outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30	Energy Conservation Notes	
	Principal	Interest
2022	\$46,057	\$9,068
2023	48,318	6,807
2024	50,679	4,445
2025	53,171	1,948
Total	<u>\$198,225</u>	<u>\$22,268</u>

## Fredericktown Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

### Note 12 – Capital Leases

The capital lease obligation relates to the construction of various school buildings. As part of the agreement for the buildings construction project, the Ohio Association of School Business Officials, as lessor, deposited \$1,527,000 into the School District's account. The proceeds were used for the School District's portion of the Ohio School Facilities Commission school renovation project.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2021:

Fiscal Year Ending June 30	Amount
2022	\$116,197
2023	116,068
2024	116,739
2025	116,210
2026	116,481
2027	116,531
Total minimum lease payments	698,226
Less: Amount representing interest	(85,226)
Present Value of Minimum Lease Payments	\$613,000

### Note 13 – Risk Management

#### *Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2021, the School District contracted with the Ohio School Plan for various types of insurance as follows:

Type of Coverage	Coverage Amount
Property (Replacement Cost)	\$55,559,292
General Liability:	
Aggregate	5,000,000
Per Occurrence	3,000,000
Auto Liability	3,000,000
Employers' Liability (Ohio Stop Gap)	3,000,000
Fiduciary Liability Coverage	3,000,000
Security and Law Enforcement Liability Coverage	3,000,000
Legal Liability Coverage	3,000,000
Violence Coverage	1,000,000

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

## Fredericktown Local School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021

### Employee Benefits

Insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability at June 30, 2021, of \$225,557, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expense and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investment to the actuarially-measured liability as of June 30 follows:

Year	Cash and Investments	Actuarial Liabilities
2020	\$3,876,587	\$183,495
2021	3,858,365	225,557

### Workers' Compensation

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, a Sedgwick CMS Company, provides administrative, cost control and actuarial services to the GRP.

### Note 14 – Set-Aside Requirements

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2020	\$0
Current Year Set-Aside Requirement	227,253
Current Year Offsets	314,478
Total	(\$87,225)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Set-Aside Balance as of June 30, 2021	\$0

## Fredericktown Local School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

### **Note 15 – Jointly Governed Organization and Insurance Purchasing Pools**

#### ***Jointly Governed Organization***

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. The School District paid \$61,551 to META during fiscal year 2021 for services. Financial information can be obtained from Ashley Widby, CFO, 100 Executive Drive, Marion, Ohio 43302.

#### ***Insurance Purchasing Pools***

***Ohio School Boards Association Workers' Compensation Group Rating Program (GRP)*** The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

***Jefferson Health Plan*** The School District participates in the Jefferson Health Plan, a risk-sharing, claims servicing, and insurance purchasing pool composed of 120 members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, prescription, vision, and dental coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the

## **Fredericktown Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administration fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by United Medical Resources.

### **Note 16 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were \$128,897 in the general fund.

### **Note 17 – Subsequent Event**

For fiscal year 2022, School 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 and scholarship funding will be directly funded by the State of Ohio to the respective schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the respective school. For fiscal year 2021, the School District reported \$385,680 in receipts and disbursements related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School 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.

### **Note 18 – 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 of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**FREDERICKTOWN LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed Through Ohio Department of Education:</b>		
Child Nutrition Cluster:		
Non-Cash Assistance:		
National School Lunch Program - Commodities	10.555	\$ 3,497
Cash Assistance:		
School Breakfast Program	10.553	94,079
COVID-19 School Breakfast Program	10.553	23,054
National School Lunch Program	10.555	280,115
COVID-19 National School Lunch Program	10.555	55,283
Total Child Nutrition Cluster		<u>456,028</u>
Total U.S. Department of Agriculture		<u>456,028</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>Passed Through Ohio Department of Education</b>		
Special Education Cluster:		
Special Education--Grants to States	84.027	<u>308,330</u>
Total Special Education Cluster		<u>308,330</u>
Title I Grants to Local Educational Agencies	84.010	275,077
Title I Grants to Local Educational Agencies	84.010	6,314
Total Title I		<u>281,391</u>
Improving Teacher Quality State Grant	84.367	47,561
Student Support and Academic Enrichment Program	84.424	19,927
COVID-19 Education Stabilization Fund	84.425D	<u>216,896</u>
Total U.S. Department of Education		<u>874,105</u>
<b>U.S. DEPARTMENT OF TREASURY</b>		
<b>Passed Through Ohio Department of Education</b>		
COVID-19 Coronavirus Relief Fund	21.019	<u>84,916</u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 1,415,049</b></u>

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

**FREDERICKTOWN LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Fredericktown Local School District (the School District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amount from 2021 to 2022 programs:

<b>Program Title</b>	<b>AL Number</b>	<b>Amount Transferred</b>
COVID-19 Coronavirus Relief Fund	21.019	\$ 2,550

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

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

Fredericktown Local School District  
Knox County  
117 Columbus Road  
Fredericktown, Ohio 43019

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Fredericktown Local School District, Knox County, (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 21, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2021-001.

***School District's Response to Finding***

The School District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2022

# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Fredericktown Local School District  
Knox County  
117 Columbus Road  
Fredericktown, Ohio 43019

To the Board of Education:

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

We have audited Fredericktown Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Fredericktown Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

**Opinion on Each Major Federal Program**

In our opinion, Fredericktown Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2022

**FREDERICKTOWN LOCAL SCHOOL DISTRICT  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
June 30, 2021**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster AL # 84.425D – Education Stabilization Fund
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

**FINDING NUMBER 2021-001**

**Annual Financial Reporting - Noncompliance**

**Ohio Rev. Code §117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

FREDERICKTOWN LOCAL SCHOOL DISTRICT  
KNOX COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
June 30, 2021

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

**FINDING NUMBER 2021-001 (Continued)**

**Annual Financial Reporting – Noncompliance (Continued)**

**Ohio Admin. Code 117-2-03(B)**, which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

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

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

**Officials' Response:** See Corrective Action Plan

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

None



**FREDERICKTOWN LOCAL SCHOOL DISTRICT**

117 Columbus Road, Fredericktown, OH 43019

Phone: 740.694.2956 Facs: 740.694.0956

www.fredericktownschools.com

*Every day, everyone learning and adapting to excel in a changing world*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001 2019-001 2018-001	Annual Financial Reporting (first issued in FY09)	Not Corrected	The Board of Education has chosen to continue to file OCBOA. See Finding 2021-001.

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117 Columbus Road, Fredericktown, OH 43019

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*Every day, everyone learning and adapting to excel in a changing world*

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**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2021**

**Finding Number:** 2021-001

**Planned Corrective Action:** The Board of Education approved the recommendation that Fredericktown Local School District not prepare GAAP statements for an estimated savings to the School District of \$8,000 per year. The School District continues to monitor, update, and track capital assets. Local Government Services continues to assist with the GAAP look-a-like reports and the Management Discussion and Analysis.

**Anticipated Completion Date:** Reassess Annually

**Responsible Contact Person:** Heather Darnold, Treasurer

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# OHIO AUDITOR OF STATE KEITH FABER



**FREDERICKTOWN LOCAL SCHOOL DISTRICT**

**KNOX COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 5/5/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)