



Dave Yost • Auditor of State



# OHIO AUDITOR OF STATE **KEITH FABER**



February 7, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

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**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY  
JUNE 30, 2018**

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PORTAGE COUNTY  
JUNE 30, 2018**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

James A. Garfield Local School District  
Portage County  
10235 State Route 88  
Garrettsville, Ohio 44231

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the James A. Garfield Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the James A. Garfield Local School District, Portage County, Ohio, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

Our audit was conducted to opine on the District's basic 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 7, 2019

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**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The management's discussion and analysis of the James A. Garfield Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- The District's net position of governmental activities increased \$6,059,602 which represents a 41.80% increase from 2017's restated net position.
- General revenues accounted for \$11,494,608 in revenue or 75.62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,705,808 or 24.38% of total revenues of \$15,200,416.
- The District had \$9,140,814 in expenses related to governmental activities; \$3,705,808 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,494,608 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$13,500,840 in revenues and other financing sources and \$14,547,994 in expenditures and other financing uses. During fiscal year 2018, the general fund's fund balance decreased \$1,047,154 from a balance of \$2,245,543 to \$1,198,389.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, and extracurricular activities.

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-25 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-68 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 70-83 of this report.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities 2018	Restated Governmental Activities 2017
<b><u>Assets</u></b>		
Current and other assets	\$ 7,410,785	\$ 8,466,934
Capital assets, net	<u>10,275,646</u>	<u>10,540,961</u>
Total assets	<u>17,686,431</u>	<u>19,007,895</u>
<b><u>Deferred outflows of resources</u></b>		
Pensions	5,196,785	4,334,810
OPEB	<u>199,533</u>	<u>32,801</u>
Total deferred outflows of resources	<u>5,396,318</u>	<u>4,367,611</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,069,170	1,808,978
Long-term liabilities:		
Due within one year	610,002	593,341
Due in more than one year:		
Net pension liability	16,567,393	22,487,152
Net OPEB liability	3,747,533	4,613,975
Other amounts	<u>3,431,370</u>	<u>4,023,144</u>
Total liabilities	<u>26,425,468</u>	<u>33,526,590</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for next fiscal year	3,688,937	3,752,557
Unamortized deferred charges on debt refunding	34,026	39,329
Pensions	940,561	555,286
OPEB	<u>432,411</u>	<u>-</u>
Total deferred inflows of resources	<u>5,095,935</u>	<u>4,347,172</u>
<b><u>Net position</u></b>		
Net investment in capital assets	6,987,141	6,826,033
Restricted	403,787	464,871
Unrestricted (deficit)	<u>(15,829,582)</u>	<u>(21,789,160)</u>
Total net position	<u>\$ (8,438,654)</u>	<u>\$ (14,498,256)</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

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

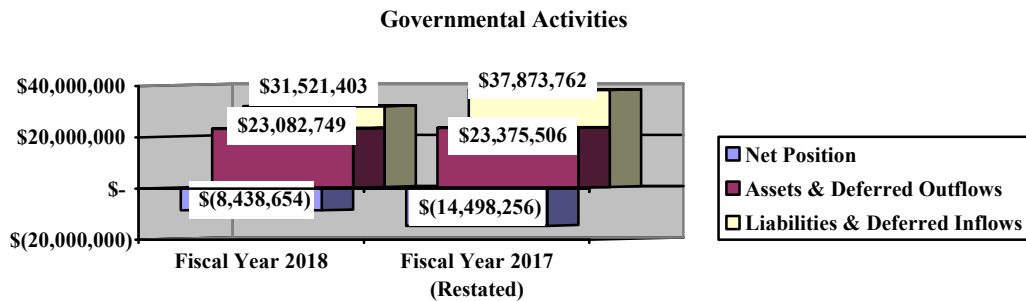
As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$9,917,082) to (\$14,498,256).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,438,654. Of this total, \$403,787 is restricted in use.

At year-end, capital assets represented 58.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2018, were \$6,987,141. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$403,787, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$15,829,582.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2018 and 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The table below shows the changes in net position for governmental activities between 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,185,177	\$ 2,107,938
Operating grants and contributions	1,520,631	1,481,657
Capital grants and contributions	-	104,462
General revenues:		
Property taxes	4,709,591	4,542,511
Unrestricted grants and entitlements	6,736,126	6,768,997
Investment earnings	43,314	31,429
Miscellaneous	<u>5,577</u>	<u>28,940</u>
Total revenues	<u>\$ 15,200,416</u>	<u>\$ 15,065,934</u>

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**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	<b>Change in Net Position (Continued)</b>	
	Governmental	Restated
	Activities 2018	Governmental Activities 2017
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,849,512	\$ 7,908,605
Special	1,451,185	1,967,400
Other	1,020	3,254
Support services:		
Pupil	467,941	834,435
Instructional staff	139,701	221,147
Board of education	36,742	36,124
Administration	622,077	1,308,448
Fiscal	242,244	405,507
Business	33,303	11,513
Operations and maintenance	896,099	1,218,671
Pupil transportation	612,277	928,856
Central	26,748	31,909
Operations of non-instructional services:		
Food service operations	446,724	685,171
Other non-instructional services	32,985	29,284
Extracurricular activities	227,407	519,308
Interest and fiscal charges	54,849	160,441
Total expenses	<u>9,140,814</u>	<u>16,270,073</u>
Change in net position	6,059,602	(1,204,139)
Net position at beginning of year (restated)	<u>(14,498,256)</u>	<u>N/A</u>
Net position at end of year	<u>\$ (8,438,654)</u>	<u>\$ (14,498,256)</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$32,801 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$557,255. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

Total 2018 program expenses under GASB 75	\$ 9,140,814
Negative OPEB expense under GASB 75	557,255
2018 contractually required contributions	<u>43,508</u>
Adjusted 2018 program expenses	9,741,577
Total 2017 program expenses under GASB 45	<u>16,270,073</u>
Decrease in program expenses not related to OPEB	<u>\$ (6,528,496)</u>

**Governmental Activities**

Net position of the District’s governmental activities increased \$6,059,602. Total governmental expenses of \$9,140,814 were offset by program revenues of \$3,705,808 and general revenues of \$11,494,608. Program revenues supported 40.54% of the total governmental expenses.

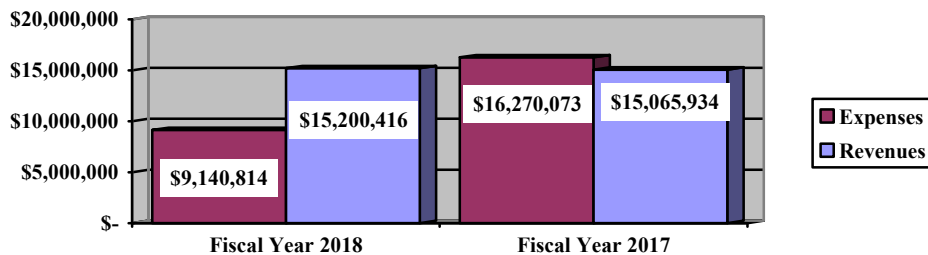
Expenses of the governmental activities decreased \$7,129,259 or 43.82%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$5,224,154) in pension expense and (\$557,255) in OPEB expense mainly due to these benefit changes.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 75.30% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,301,717 or 58.00% of total governmental expenses for fiscal 2018.

The graph below presents the District’s governmental activities revenue and expenses for fiscal year 2018 and 2017.

**Governmental Activities - Revenues and Expenses**



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following is a comparison of 2018 and 2017.

**Governmental Activities**

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,849,512	\$ 2,175,234	\$ 7,908,605	\$ 6,367,941
Special	1,451,185	297,611	1,967,400	802,605
Other	1,020	383	3,254	3,254
Support services:				
Pupil	467,941	460,099	834,435	834,435
Instructional staff	139,701	113,291	221,147	220,154
Board of education	36,742	36,742	36,124	36,124
Administration	622,077	551,878	1,308,448	1,238,460
Fiscal	242,244	242,244	405,507	381,220
Business	33,303	33,303	11,513	11,513
Operations and maintenance	896,099	894,931	1,218,671	1,112,527
Pupil transportation	612,277	578,891	928,856	902,689
Central	26,748	9,435	31,909	21,679
Operations of non-instructional services:				
Food service operations	446,724	(134,322)	685,171	98,056
Other non-instructional services	32,985	4,366	29,284	5,037
Extracurricular activities	227,407	116,071	519,308	379,881
Interest and fiscal charges	54,849	54,849	160,441	160,441
Total expenses	<u>\$ 9,140,814</u>	<u>\$ 5,435,006</u>	<u>\$ 16,270,073</u>	<u>\$ 12,576,016</u>

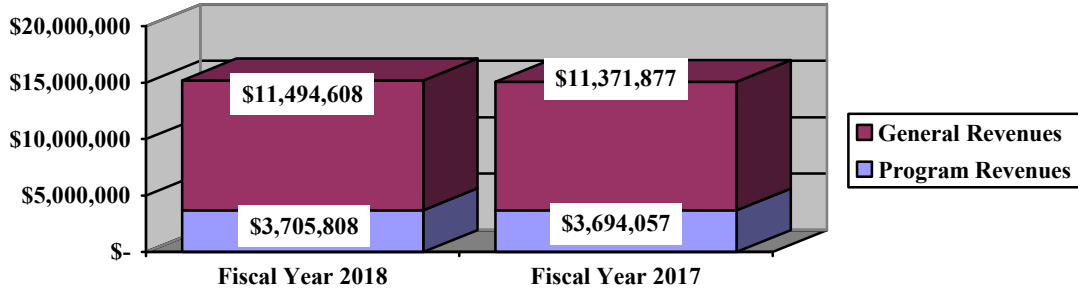
The dependence upon tax and other general revenues for governmental activities is apparent, 46.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 59.46% and 77.30% for fiscal years 2018 and 2017, respectively. The District's taxpayers and unrestricted grants from the State are by far the primary support for District's students.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2018 and 2017.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,468,558, which is less than last year's balance of \$2,668,405. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Change	Percentage Change
General	\$ 1,198,389	\$ 2,245,543	\$ (1,047,154)	(46.63) %
Other Governmental	<u>270,169</u>	<u>422,862</u>	<u>(152,693)</u>	(36.11) %
Total	<u>\$ 1,468,558</u>	<u>\$ 2,668,405</u>	<u>\$ (1,199,847)</u>	(44.96) %

**General Fund**

The District's general fund balance decreased \$1,047,154. The table that follows assists in illustrating the financial activities of the general fund.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	2018 <u>Amount</u>	2017 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,354,510	\$ 4,200,763	\$ 153,747	3.66 %
Tuition	1,705,582	1,615,725	89,857	5.56 %
Earnings on investments	43,314	31,429	11,885	37.82 %
Intergovernmental	7,307,042	7,384,498	(77,456)	(1.05) %
Other revenues	<u>89,270</u>	<u>119,047</u>	<u>(29,777)</u>	(25.01) %
Total	<u>\$ 13,499,718</u>	<u>\$ 13,351,462</u>	<u>\$ 148,256</u>	1.11 %
<b><u>Expenditures</u></b>				
Instruction	\$ 9,028,906	\$ 8,660,482	\$ 368,424	4.25 %
Support services	4,991,918	4,797,257	194,661	4.06 %
Non-instructional services	11,776	-	11,776	100.00 %
Extracurricular activities	377,421	397,445	(20,024)	(5.04) %
Capital outlay	-	70,450	(70,450)	(100.00) %
Debt service	<u>128,962</u>	<u>24,875</u>	<u>104,087</u>	418.44 %
Total	<u>\$ 14,538,983</u>	<u>\$ 13,950,509</u>	<u>\$ 588,474</u>	4.22 %

Tax revenue increased \$153,747 or 3.66% from fiscal year 2017. Tuition revenue increased \$89,857 or 5.56% from fiscal year 2017 due to greater revenue from open enrollment. Intergovernmental revenue decreased \$77,456 or 1.05% from fiscal year 2017 due to less revenue received from the State. Overall, revenue increased \$148,256 or 1.11% from fiscal year 2017. Instructional expenditures increased \$368,424 or 4.25% from fiscal year 2017. Support services expenditures increased \$194,661 or 4.06% from fiscal year 2017. These increases are mainly due to customary wage and benefit increases. Overall, expenditures increased \$588,474 or 4.22% from fiscal year 2017.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2018, the District amended its general fund budget a few times. For the general fund, original budgeted revenues and other financing sources were \$13,213,466 and final budgeted revenues and other financing sources were \$13,406,244. Actual revenues and other financing sources for fiscal 2018 were \$13,390,334. This represents a \$15,910 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of \$14,701,363 were increased to \$14,871,007 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled \$14,605,707, which was \$265,300 below the final budget appropriations.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2018, the District had \$10,275,646 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. This entire amount is reported in governmental activities.

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

	Governmental Activities	
	2018	2017
Land	\$ 137,302	\$ 137,302
Land improvements	188,742	55,584
Building and improvements	9,371,538	9,664,048
Furniture, fixtures and equipment	358,295	421,687
Vehicles	219,769	262,340
Total	<u>\$ 10,275,646</u>	<u>\$ 10,540,961</u>

The overall decrease in capital assets of \$265,315 is due to capital outlays of \$204,736 being less than depreciation expense of \$468,225 and disposals of \$1,826 (net of accumulated depreciation) in the current fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2018, the District had \$2,795,000 in general obligation bonds, \$420,000 in lease purchase obligations and \$39,479 in capital lease obligations outstanding. Of the total obligations, \$502,778 is due within one year and \$2,751,701 is due in more than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	
	2018	2017
General obligation bonds	\$ 2,795,000	\$ 3,165,000
Lease purchase obligation	420,000	520,000
Capital lease obligations	39,479	56,530
Total	<u>\$ 3,254,479</u>	<u>\$ 3,741,530</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Current Financial Related Activities**

The Board of Education and administration closely monitor revenue and expenditures in accordance with the financial forecast. The District has communicated to its community the reliance upon their support for its operations, and that it will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan.

The Board resolved to maintain a minimum general fund cash balance equivalent to at least 10% of the prior year general fund operating expenses. The budget reserve calculation for FY 2018 based on FY 2017 expenditures is calculated as follows: FY 2017 Line 4.50 Total Expenses - \$13,722,081, 10% - \$1,372,208. Per the May 2018 Five Year Forecast submission, the District ending balance will fall below this threshold in FY 2019.

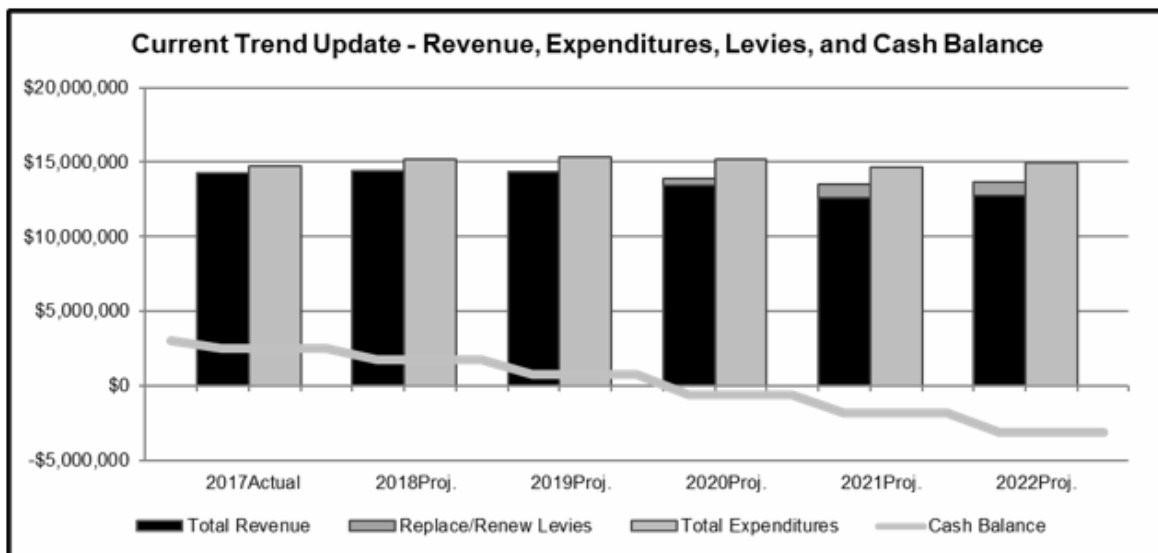
The current five (5) year emergency levy expires at the end of calendar year 2018. The emergency levy for \$925,000 was approved by voters for the first time in November 2004. The levy was for calendar year 2004 and voters starting paying the levy amount with the first half payment due in February 2005. Effectively running from 1/1/2004 through 12/31/2008, but paid 1/1/2005 through 12/31/2009 because property taxes are paid the following year.

The first renewal was November 2008, running from 1/1/2009 through 12/31/2013, but paid 1/1/2010 through 12/31/2014.

The second renewal was November 2013, running from 1/1/2014 through 12/31/2018, but paid 1/1/2015 through 12/31/2019.

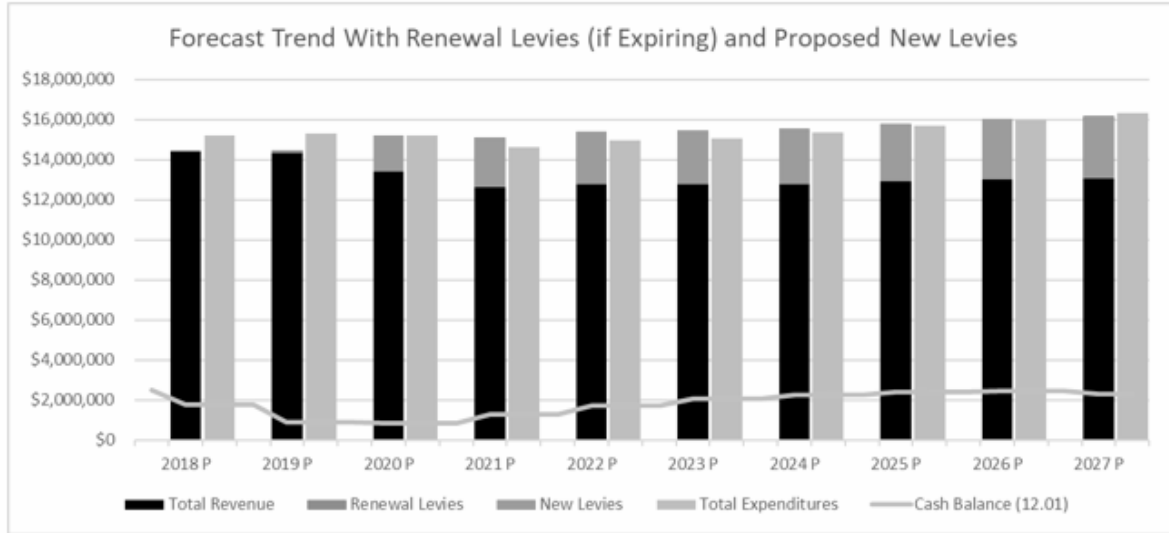
The levy will expire on 12/31/2018, but Portage County residents do not pay the taxes for calendar year 2018 until calendar year 2019 - typically in February and July.

The District has not asked for new funds since November 2004, but given the cash flow circumstances noted below, the District has 1.5% earned income tax issue on the ballot for voter approval on November 6, 2018. This issue would raise an additional \$1,415,123 annually. The 1.5% issue raises \$2,340,123 annually, but the District will not seek renewal of the \$925,000 emergency levy if this issue is passed.



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**



In addition, the current association contracts expire on June 30, 2019. Both associations agreed to a one-year contract rollover for the 2018/2019 school year with no increase on the base. The District anticipates negotiations will begin early calendar year 2019.

The District was awarded a \$5,000,000 Straight A Grant from the State of Ohio in December 2013. The grant, themed the Campus of Excellence, specified an addition to the Elementary school to house fifth and sixth grade students, technology upgrades including a 1:1 Chromebook program for grades 7 to 12, and developing new community partners to repurpose the former Intermediate school building. All three targets were met for the start of the 2014/2015 school year. The 2016/2017 school year was the third year of the initiative and the District continues to look for ways to expand the program. The District continues to partner with the Greater Cleveland YMCA to offer programs in the former Intermediate school building.

In conclusion, the budgeting and internal controls utilized by the District are well regarded. The District is committed to living within its financial means and working with the community it serves in order to garner adequate resources to support a quality educational program.

**Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Tracy Knauer, Treasurer, James A. Garfield Local School District, 10235 State Route 88, Garrettsville, Ohio 44231.



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,312,545
Receivables:	
Taxes . . . . .	4,743,547
Accounts. . . . .	1,020
Intergovernmental. . . . .	212,066
Prepayments . . . . .	116,632
Materials and supplies inventory. . . . .	20,453
Inventory held for resale. . . . .	4,522
Capital assets:	
Nondepreciable capital assets . . . . .	137,302
Depreciable capital assets, net. . . . .	10,138,344
Capital assets, net . . . . .	10,275,646
Total assets. . . . .	17,686,431
 <b>Deferred outflows of resources:</b>	
Pension . . . . .	5,196,785
OPEB. . . . .	199,533
Total deferred outflows of resources . . . . .	5,396,318
 <b>Liabilities:</b>	
Accounts payable. . . . .	37,431
Accrued wages and benefits payable. . . . .	1,440,610
Compensated absences payable. . . . .	68,967
Retirement incentive payable. . . . .	148,970
Intergovernmental payable . . . . .	130,036
Pension & postemployment obligation payable . . . . .	234,549
Accrued interest payable . . . . .	4,632
Unearned revenue . . . . .	3,975
Long-term liabilities:	
Due within one year. . . . .	610,002
Due in more than one year:	
Net pension liability. . . . .	16,567,393
Net OPEB liability . . . . .	3,747,533
Other amounts due in more than one year . . . . .	3,431,370
Total liabilities . . . . .	26,425,468
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,688,937
Unamortized deferred charges on debt refunding . . . . .	34,026
Pension. . . . .	940,561
OPEB. . . . .	432,411
Total deferred inflows of resources . . . . .	5,095,935
 <b>Net position:</b>	
Net investment in capital assets . . . . .	6,987,141
Restricted for:	
Capital projects . . . . .	16,500
Debt service. . . . .	306,706
Federally funded programs . . . . .	2,701
Student activities . . . . .	38,049
Other purposes . . . . .	39,831
Unrestricted (deficit) . . . . .	(15,829,582)
Total net position. . . . .	\$ (8,438,654)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,849,512	\$ 1,627,010	\$ 47,268	\$ (2,175,234)
Special . . . . .	1,451,185	107,792	1,045,782	(297,611)
Other . . . . .	1,020	-	637	(383)
Support services:				
Pupil . . . . .	467,941	-	7,842	(460,099)
Instructional staff . . . . .	139,701	-	26,410	(113,291)
Board of education . . . . .	36,742	-	-	(36,742)
Administration . . . . .	622,077	34,240	35,959	(551,878)
Fiscal . . . . .	242,244	-	-	(242,244)
Business . . . . .	33,303	-	-	(33,303)
Operations and maintenance . . . . .	896,099	1,168	-	(894,931)
Pupil transportation . . . . .	612,277	192	33,194	(578,891)
Central . . . . .	26,748	17,313	-	(9,435)
Operation of non-instructional services:				
Food service operations . . . . .	446,724	286,126	294,920	134,322
Other non-instructional services . . . . .	32,985	-	28,619	(4,366)
Extracurricular activities . . . . .	227,407	111,336	-	(116,071)
Interest and fiscal charges . . . . .	54,849	-	-	(54,849)
Total governmental activities . . . . .	\$ 9,140,814	\$ 2,185,177	\$ 1,520,631	(5,435,006)
<b>General revenues:</b>				
Property taxes levied for:				
				4,326,791
General purposes . . . . .				382,800
Debt service . . . . .				
Grants and entitlements not restricted				
to specific programs . . . . .				6,736,126
Investment earnings . . . . .				43,314
Miscellaneous . . . . .				5,577
Total general revenues . . . . .				11,494,608
Change in net position . . . . .				6,059,602
<b>Net position at beginning of year (restated).</b>				(14,498,256)
<b>Net position at end of year . . . . .</b>				\$ (8,438,654)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,998,264	\$ 314,281	\$ 2,312,545
Receivables:			
Taxes . . . . .	4,358,564	384,983	4,743,547
Accounts . . . . .	116	904	1,020
Interfund loans . . . . .	36,075	-	36,075
Intergovernmental . . . . .	89,761	122,305	212,066
Prepayments . . . . .	114,819	1,813	116,632
Materials and supplies inventory . . . . .	18,959	1,494	20,453
Inventory held for resale . . . . .	-	4,522	4,522
Due from other funds . . . . .	45,337	-	45,337
Total assets . . . . .	<u>\$ 6,661,895</u>	<u>\$ 830,302</u>	<u>\$ 7,492,197</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 32,363	\$ 5,068	\$ 37,431
Accrued wages and benefits payable . . . . .	1,321,655	118,955	1,440,610
Compensated absences payable . . . . .	68,967	-	68,967
Retirement incentive payable . . . . .	148,970	-	148,970
Intergovernmental payable . . . . .	128,600	1,436	130,036
Pension & postemployment obligation payable . . . . .	234,549	-	234,549
Interfund loans payable . . . . .	-	36,075	36,075
Due to other funds . . . . .	-	45,337	45,337
Unearned revenue . . . . .	3,975	-	3,975
Total liabilities . . . . .	<u>1,939,079</u>	<u>206,871</u>	<u>2,145,950</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	3,396,011	292,926	3,688,937
Delinquent property tax revenue not available . . . . .	107,532	10,274	117,806
Intergovernmental revenue not available . . . . .	20,884	50,062	70,946
Total deferred inflows of resources . . . . .	<u>3,524,427</u>	<u>353,262</u>	<u>3,877,689</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	18,959	1,494	20,453
Prepays . . . . .	114,819	1,813	116,632
Restricted:			
Debt service . . . . .	-	301,064	301,064
Capital improvements . . . . .	-	16,500	16,500
Extracurricular activities . . . . .	-	38,049	38,049
Other purposes . . . . .	-	39,831	39,831
Committed:			
Other purposes . . . . .	11,000	-	11,000
Assigned:			
Student instruction . . . . .	54,543	-	54,543
Student and staff support . . . . .	126,329	-	126,329
Extracurricular activities . . . . .	933	-	933
Subsequent year's appropriations . . . . .	772,339	-	772,339
Other purposes . . . . .	99,467	-	99,467
Unassigned (deficit) . . . . .	<u>-</u>	<u>(128,582)</u>	<u>(128,582)</u>
Total fund balances . . . . .	<u>1,198,389</u>	<u>270,169</u>	<u>1,468,558</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,661,895</u>	<u>\$ 830,302</u>	<u>\$ 7,492,197</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

<b>Total governmental fund balances</b>		\$	1,468,558
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,275,646
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	117,806	
Intergovernmental receivable		70,946	
Total		<u>188,752</u>	188,752
Unamortized amounts on refundings are not recognized in the funds.			(34,026)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(4,632)
The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		5,196,785	
Deferred inflows - pension		(940,561)	
Net pension liability		(16,567,393)	
Deferred outflows - OPEB		199,533	
Deferred inflows - OPEB		(432,411)	
Net OPEB liability		<u>(3,747,533)</u>	
Total			(16,291,580)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(2,795,000)	
Capital lease obligations		(39,479)	
Compensated absences		(786,893)	
Lease purchase agreement		<u>(420,000)</u>	
Total			<u>(4,041,372)</u>
<b>Net position of governmental activities</b>		<b>\$</b>	<b><u>(8,438,654)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,354,510	\$ 385,594	\$ 4,740,104
Tuition . . . . .	1,705,582	-	1,705,582
Transportation fees . . . . .	192	-	192
Earnings on investments . . . . .	43,314	313	43,627
Charges for services . . . . .	-	282,696	282,696
Extracurricular . . . . .	18,309	98,796	117,105
Classroom materials and fees . . . . .	29,220	-	29,220
Other local revenues . . . . .	41,549	42,716	84,265
Intergovernmental - intermediate . . . . .	-	25,630	25,630
Intergovernmental - state . . . . .	7,172,228	75,225	7,247,453
Intergovernmental - federal . . . . .	134,814	843,107	977,921
Total revenues . . . . .	<u>13,499,718</u>	<u>1,754,077</u>	<u>15,253,795</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	7,411,428	41,458	7,452,886
Special . . . . .	1,614,991	471,070	2,086,061
Other . . . . .	2,487	637	3,124
Support services:			
Pupil . . . . .	827,864	5,941	833,805
Instructional staff . . . . .	204,768	26,392	231,160
Board of education . . . . .	36,742	-	36,742
Administration . . . . .	1,230,612	36,213	1,266,825
Fiscal . . . . .	349,709	7,847	357,556
Business . . . . .	33,303	-	33,303
Operations and maintenance . . . . .	1,356,138	155,893	1,512,031
Pupil transportation . . . . .	926,034	-	926,034
Central . . . . .	26,748	-	26,748
Operation of non-instructional services:			
Food service operations . . . . .	-	609,995	609,995
Other non-instructional services . . . . .	11,776	21,209	32,985
Extracurricular activities . . . . .	377,421	120,380	497,801
Debt service:			
Principal retirement . . . . .	117,051	370,000	487,051
Interest and fiscal charges . . . . .	11,911	48,746	60,657
Total expenditures . . . . .	<u>14,538,983</u>	<u>1,915,781</u>	<u>16,454,764</u>
Excess of expenditures over revenues . . . . .	<u>(1,039,265)</u>	<u>(161,704)</u>	<u>(1,200,969)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets . . . . .	1,122	-	1,122
Transfers in . . . . .	-	9,011	9,011
Transfers (out) . . . . .	(9,011)	-	(9,011)
Total other financing sources (uses) . . . . .	<u>(7,889)</u>	<u>9,011</u>	<u>1,122</u>
Net change in fund balances . . . . .	(1,047,154)	(152,693)	(1,199,847)
<b>Fund balances at beginning of year . . . . .</b>	<u>2,245,543</u>	<u>422,862</u>	<u>2,668,405</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,198,389</u>	<u>\$ 270,169</u>	<u>\$ 1,468,558</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Net change in fund balances - total governmental funds** \$ (1,199,847)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 204,736	
Current year depreciation	(468,225)	
<b>Total</b>		<b>(263,489)</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (1,826)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(30,513)	
Intergovernmental	(22,866)	
<b>Total</b>		<b>(53,379)</b>

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 487,051

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

Decrease in accrued interest payable	505	
Amortization of deferred charges	5,303	
<b>Total</b>		<b>5,808</b>

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

Pension	1,172,305	
OPEB	43,508	
<b>Total</b>		<b>1,215,813</b>

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

Pension	5,224,154	
OPEB	557,255	
<b>Total</b>		<b>5,781,409</b>

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

88,062

**Change in net position of governmental activities** \$ 6,059,602

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,417,364	\$ 3,467,222	\$ 3,467,197	\$ (25)
Tuition. . . . .	1,682,790	1,707,341	1,706,299	(1,042)
Transportation fees. . . . .	197	200	192	(8)
Earnings on investments . . . . .	43,367	44,000	43,314	(686)
Classroom materials and fees . . . . .	1,478	1,500	303	(1,197)
Other local revenues . . . . .	11,885	12,058	8,306	(3,752)
Intergovernmental - state . . . . .	6,914,189	7,015,064	7,011,846	(3,218)
Intergovernmental - federal . . . . .	133,692	135,642	135,642	-
Total revenues . . . . .	<u>12,204,962</u>	<u>12,383,027</u>	<u>12,373,099</u>	<u>(9,928)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,372,304	7,457,376	7,423,000	34,376
Special. . . . .	1,659,697	1,678,849	1,622,337	56,512
Other. . . . .	6,302	6,375	2,487	3,888
Support services:				
Pupil. . . . .	821,200	830,676	821,967	8,709
Instructional staff . . . . .	220,875	223,424	213,336	10,088
Board of education . . . . .	37,084	37,512	36,789	723
Administration. . . . .	1,237,084	1,251,359	1,223,274	28,085
Fiscal . . . . .	357,810	361,939	357,338	4,601
Business . . . . .	35,531	35,941	34,442	1,499
Operations and maintenance. . . . .	1,392,443	1,408,511	1,357,280	51,231
Pupil transportation . . . . .	919,548	930,159	889,787	40,372
Other non-instructional services . . . . .	11,643	11,777	11,777	-
Extracurricular activities. . . . .	382,080	386,488	382,170	4,318
Debt service:				
Principal retirement. . . . .	98,859	100,000	100,000	-
Interest and fiscal charges. . . . .	10,766	10,890	9,872	1,018
Total expenditures . . . . .	<u>14,563,226</u>	<u>14,731,276</u>	<u>14,485,856</u>	<u>245,420</u>
Excess of expenditures over revenues. . . . .	<u>(2,358,264)</u>	<u>(2,348,249)</u>	<u>(2,112,757)</u>	<u>235,492</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	39,425	40,000	35,896	(4,104)
Refund of prior year's receipts. . . . .	(20)	(20)	-	20
Transfers in . . . . .	911,267	924,562	924,562	-
Transfers (out). . . . .	(8,908)	(9,011)	(9,011)	-
Advances in. . . . .	54,855	55,655	55,655	-
Advances (out) . . . . .	(129,209)	(130,700)	(110,840)	19,860
Sale of capital assets . . . . .	2,957	3,000	1,122	(1,878)
Total other financing sources (uses). . . . .	<u>870,367</u>	<u>883,486</u>	<u>897,384</u>	<u>13,898</u>
Net change in fund balance . . . . .	(1,487,897)	(1,464,763)	(1,215,373)	249,390
<b>Fund balance at beginning of year . . . . .</b>	<b>2,654,077</b>	<b>2,654,077</b>	<b>2,654,077</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>181,120</b>	<b>181,120</b>	<b>181,120</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,347,300</u></b>	<b><u>\$ 1,370,434</u></b>	<b><u>\$ 1,619,824</u></b>	<b><u>\$ 249,390</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2018

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 26,948
Total assets. . . . .	<u>\$ 26,948</u>
<b>Liabilities:</b>	
Due to students. . . . .	\$ 26,948
Total liabilities . . . . .	<u>\$ 26,948</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The James A. Garfield Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District serves an area of approximately fifty-six square miles in Portage County including the Village of Garrettsville and portions of the surrounding townships of Freedom, Nelson, Hiram and Charlestown.

The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the District's three instructional/support facilities staffed by 58 non-certified, 92 certified personnel and 7 administrators who provide services to 1,415 students and other community members.

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

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

**A. Reporting Entity**

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

The District is associated with the Stark Portage Area Computer Consortium, Portage County Schools Consortium, and Maplewood Career Center, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented below.

*JOINTLY GOVERNED ORGANIZATIONS*

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a data consortium of 35 school districts. SPARCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 6057 Strip Ave. NW, North Canton, Ohio 44720.

Portage County School Consortium (the "Consortium")

Portage County School Consortium is an insurance group-purchasing consortium made up of 25 school districts in Columbiana, Portage and Mahoning Counties. All member districts pay an insurance premium directly to the Consortium. The District paid \$2,200,797 in the form of health care premiums to the Consortium for the current fiscal year.

Maplewood Career Center

The Maplewood Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of two representatives from each of the ten participating school districts' elected Boards, which possess its own budgeting and taxing authority. The jointly governed organization was formed for the purpose of providing vocational instruction to juniors and seniors in the participating districts. To obtain financial information, write to the Maplewood Career Center, Michelle Seckman, who serves as Treasurer, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported in the statement of activities as an expense with a like amount reported within the "operating grants and contributions" program revenue account.

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**E. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**F. Cash and Investments**

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

During fiscal year 2018, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$43,314, which includes \$7,829 assigned from other District funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the District to not capitalize interest costs incurred as part of construction.

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 years
Buildings	30 - 50 years
Furniture fixtures and equipment	5 - 20 years
Vehicles	5 - 20 years

**I. Interfund Balances**

Payables resulting from certain pension liabilities in the nonmajor governmental funds and amounts to cover negative cash balances are recorded as “due to other funds” and a corresponding receivable recorded as “due from other funds” in the general fund. On fund financial statements, receivables and payables resulting from short-term interfund loans between governmental funds are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination (severance) payments. The liability is an estimate based on the District’s past experience of making termination (severance) payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Deferred Charge on Refunding**

For bond refundings resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred charge on refunding is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources or a deferred inflow of resources.



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**L. Fund Balance**

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

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

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

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

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

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**M. Net Position**

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

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Stabilization Arrangement**

The Board of Education has \$50,662 of unassigned fund balance in the general fund set aside to be used for budget stabilization. The Board has set aside these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

**Q. Interfund Activity**

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 14 to the basic financial statements, and added required supplementary information schedules.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ (9,917,082)
Deferred outflows - payments subsequent to measurement date	32,801
Net OPEB liability	(4,613,975)
Restated net position at July 1, 2017	\$ (14,498,256)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 79,183
Title VI-B	25,357
Title I	17,481
Improving teacher quality	3,254

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**A. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$533,299, which is exclusive of STAR Ohio reported as an investment below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018, all of the District's bank balance of \$616,717 was covered by the FDIC.

**B. Investments**

As of June 30, 2018, the District had the following investments and maturities:

<u>Measurement/Investment type:</u>	<u>Measurement</u>	<u>Investment Maturities</u>
	value	6 months or less
Amortized cost:		
STAR Ohio	\$ 1,806,194	\$ 1,806,194

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Measurement/Investment type:</u>	<u>Measurement value</u>	<u>% of total</u>
Amortized cost:		
STAR Ohio	\$ 1,806,194	100.00%

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**C. Reconciliation of Cash and Investment to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$	533,299
Investments		<u>1,806,194</u>
 Total	 \$	 <u>2,339,493</u>
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$	2,312,545
Agency fund		<u>26,948</u>
 Total	 \$	 <u>2,339,493</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Due to/from other funds at June 30, 2018 as reported on the fund financial statements, consist of the following:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 45,337

The purpose of the due to/from other funds balance at June 30, 2018 is to show the liability of certain nonmajor governmental funds to the general fund for their portion of pension liabilities and to cover negative cash balances.

Due to/from other funds between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

- B.** Interfund balances at June 30, 2018 as reported on the fund financial statements, consist of the following:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 36,075

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund loan balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

- C. Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 9,011

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

All transfers made in fiscal year 2018 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$855,021 in the general fund and \$81,783 in the bond retirement fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$765,934 in the general fund and \$73,980 in the bond retirement fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 165,441,320	95.50	\$ 166,405,230	95.44
Public utility personal	<u>7,791,300</u>	<u>4.50</u>	<u>7,948,470</u>	<u>4.56</u>
Total	<u>\$ 173,232,620</u>	<u>100.00</u>	<u>\$ 174,353,700</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 65.07		\$ 65.03	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2018 consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes	\$ 4,743,547
Accounts	1,020
Intergovernmental	<u>212,066</u>
Total	<u>\$ 4,956,633</u>

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 137,302	\$ -	\$ -	\$ 137,302
Total capital assets, not being depreciated	<u>137,302</u>	<u>-</u>	<u>-</u>	<u>137,302</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	341,289	151,707	(16,694)	476,302
Buildings and improvements	14,976,455	22,475	-	14,998,930
Furniture, fixtures and equipment	1,240,828	24,954	(54,751)	1,211,031
Vehicles	<u>1,129,405</u>	<u>5,600</u>	<u>-</u>	<u>1,135,005</u>
Total capital assets, being depreciated	<u>17,687,977</u>	<u>204,736</u>	<u>(71,445)</u>	<u>17,821,268</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(285,705)	(18,549)	16,694	(287,560)
Buildings and improvements	(5,312,407)	(314,985)	-	(5,627,392)
Furniture, fixtures and equipment	(819,141)	(86,520)	52,925	(852,736)
Vehicles	<u>(867,065)</u>	<u>(48,171)</u>	<u>-</u>	<u>(915,236)</u>
Total accumulated depreciation	<u>(7,284,318)</u>	<u>(468,225)</u>	<u>69,619</u>	<u>(7,682,924)</u>
Total capital assets being depreciated, net	<u>10,403,659</u>	<u>(263,489)</u>	<u>(1,826)</u>	<u>10,138,344</u>
Governmental activities capital assets, net	<u>\$ 10,540,961</u>	<u>\$ (263,489)</u>	<u>\$ (1,826)</u>	<u>\$ 10,275,646</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 315,559
Special	7,897
<u>Support services:</u>	
Pupil	1,165
Instructional staff	11,760
Administration	24,548
Fiscal	396
Operations and maintenance	39,739
Pupil transportation	47,800
Extracurricular	3,672
Food service operations	<u>15,689</u>
Total depreciation expense	<u>\$ 468,225</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copier equipment. These lease agreements met the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of office equipment have been capitalized in the amount of \$70,450. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2018 was \$31,948, leaving a current book value of \$38,502. Principal payments in fiscal year 2018 totaled \$17,051 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 19,090
2020	19,090
2021	<u>3,183</u>
Total	41,363
Less: amount representing interest	<u>(1,884)</u>
Present value of minimum lease payments	<u>\$ 39,479</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/18</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 3,165,000	\$ -	\$ (370,000)	\$ 2,795,000	\$ 385,000
Capital lease obligation	56,530	-	(17,051)	39,479	17,778
Lease purchase obligation	520,000	-	(100,000)	420,000	100,000
Net pension liability	22,487,152	-	(5,919,759)	16,567,393	-
Net OPEB liability	4,613,975	-	(866,442)	3,747,533	-
Compensated absences	<u>874,955</u>	<u>89,129</u>	<u>(177,191)</u>	<u>786,893</u>	<u>107,224</u>
Total	<u>\$ 31,717,612</u>	<u>\$ 89,129</u>	<u>\$ (7,450,443)</u>	<u>\$ 24,356,298</u>	<u>\$ 610,002</u>

Compensated absences: Compensated absences will be paid from the fund from which the employees' salaries are paid which, for the District, is primarily the general fund.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Capital lease obligation: The capital lease obligation will be paid from the general fund. See Note 9 for details.

Net pension liability: See Note 13 for detail on the District's net pension liability. The District pays obligations related to employee compensation from the fund benefitting from their service, which, for the District, is primarily the general fund.

Net OPEB liability: See Note 14 for detail on the District's net OPEB liability. The District pays obligations related to employee compensation from the fund benefitting from their service, which, for the District, is primarily the general fund.

- B.** On December 2, 2016, the District issued general obligation bonds (series 2016 refunding bonds) to currently refund the outstanding balance of the series 2007 current interest general obligation bonds. The issuance proceeds of \$3,165,000, plus a District contribution of \$11,253, were placed in an escrow account used to redeem the outstanding balance of the 2007 current interest general obligation bonds on January 3, 2017.

The refunding issue is comprised of current interest bonds, par value \$3,165,000. The interest rate on the current interest bonds ranges from 1.07%-2.14%.

The net carrying amount of the old debt exceeded the reacquisition price by \$42,422. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2024.

The following is a summary of the future debt service requirements to maturity for the 2016 series refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2019	\$ 385,000	\$ 44,400	\$ 429,400
2020	385,000	39,356	424,356
2021	395,000	33,658	428,658
2022	395,000	27,378	422,378
2023	400,000	20,579	420,579
2024 - 2025	835,000	17,507	852,507
Total	<u>\$ 2,795,000</u>	<u>\$ 182,878</u>	<u>\$ 2,977,878</u>

- C.** On December 2, 2016, the District entered into a lease-purchase agreement with Huntington National Bank in the amount of \$520,000. The proceeds of the lease-purchase agreement are being used for various improvements to District buildings and the stadium. The lease-purchase agreement bears an interest rate of 2.10% and matures on December 1, 2021. Payments on this obligation are made from the general fund.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the lease-purchase agreement:

Fiscal Year Ending June 30,	Lease Purchase Agreement		
	Principal	Interest	Total
2019	\$ 100,000	\$ 7,770	\$ 107,770
2020	105,000	5,617	110,617
2021	105,000	3,413	108,413
2022	110,000	1,155	111,155
Total	<u>\$ 420,000</u>	<u>\$ 17,955</u>	<u>\$ 437,955</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$13,197,897 (including available funds of \$301,064) and an unvoted debt margin of \$174,354.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for thirty percent of the total sick leave accumulation, up to a maximum accumulation of seventy-five days for both certificated and classified employees. An employee receiving such payment must meet the retirement provisions set by the State Teachers Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS).

**B. Group Health and Dental Insurance**

Health, life, vision and dental and other group insurance is offered to employees as a fringe benefit. Employer and employee contributions to premium are determined by negotiated agreements with employee labor unions. Currently, all coverage is 90% Board paid, while the remaining 10% is paid by the employee.

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**NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)**

**C. Early Retirement Incentive**

The District offers an early retirement incentive plan for certified and classified employees. The employee must have ten or more full years of continuous full-time service with the District since the most recent date of employment or reemployment and must be in an active state of employment at the time of retirement.

For certified employees, the amount of the retirement incentive is a one-time payment of \$35,000 to be made by January 31 of the year following retirement. An employee who elects not to retire by July 1<sup>st</sup> of the year in which the employee achieves unreduced retirement service credit eligibility shall thereafter be ineligible for the retirement incentive bonus. Two certified employees took the retirement incentive during fiscal year 2018.

For classified employees, the amount of the retirement incentive bonus is a one-time payment equal to one third of the employee's previous year's pay to be made by January 31 of the year following retirement. For one year only, an employee eligible to retire as of December 1, 2018 with five years of service with the District may submit a request to receive an incentive of forty-five percent (45%) of their last year's wages. The application must be received by April 16, 2018 with retirement by December 1, 2018. Five classified employees took the retirement incentive bonus during fiscal year 2018.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District participates in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 25 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverages and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. The insurance agreement with the Consortium also provides that the Consortium will reinsure through commercial companies for claims over \$250,000 per employee. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

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**NOTE 12 - RISK MANAGEMENT - (Continued)**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2018, the District contracted with the following carriers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio School Plan	General Liability	\$0
Ohio School Plan	School Bus	\$1,000
Ohio School Plan	Automobile	\$250/\$500
Ohio School Plan	Property Insurance	\$5,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**B. Workers' Compensation**

Workers' compensation coverage is provided by the State of Ohio. The District pays the Bureau of Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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



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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$272,469 for fiscal year 2018. Of this amount, \$42,051 is reported as pension and postemployment benefits payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan 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 after termination of employment at age 50 or later.

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$899,836 for fiscal year 2018. Of this amount, \$157,524 is reported as pension and postemployment benefits payable.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05919210%	0.05423723%	
Proportion of the net pension liability current measurement date	<u>0.05884610%</u>	<u>0.05494149%</u>	
Change in proportionate share	<u>-0.00034600%</u>	<u>0.00070426%</u>	
Proportionate share of the net pension liability	\$ 3,515,924	\$ 13,051,469	\$ 16,567,393
Pension expense	\$ (96,628)	\$ (5,127,526)	\$ (5,224,154)

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

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 151,311	\$ 503,983	\$ 655,294
Changes of assumptions	181,811	2,854,500	3,036,311
Difference between District contributions and proportionate share of contributions/ change in proportionate share	166,777	166,098	332,875
District contributions subsequent to the measurement date	<u>272,469</u>	<u>899,836</u>	<u>1,172,305</u>
Total deferred outflows of resources	<u>\$ 772,368</u>	<u>\$ 4,424,417</u>	<u>\$ 5,196,785</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 105,190	\$ 105,190
Net difference between projected and actual earnings on pension plan investments	16,690	430,716	447,406
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>80,979</u>	<u>306,986</u>	<u>387,965</u>
Total deferred inflows of resources	<u>\$ 97,669</u>	<u>\$ 842,892</u>	<u>\$ 940,561</u>

\$1,172,305 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$ 170,928	\$ 499,299	\$ 670,227
2020	265,355	1,085,215	1,350,570
2021	47,912	827,649	875,561
2022	<u>(81,965)</u>	<u>269,526</u>	<u>187,561</u>
Total	<u>\$ 402,230</u>	<u>\$ 2,681,689</u>	<u>\$ 3,083,919</u>

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

***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, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was 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.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 4,879,189	\$ 3,515,924	\$ 2,373,912

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

*Actuarial Assumptions - STRS Ohio*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. 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, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 18,708,836	\$ 13,051,469	\$ 8,285,985

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PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

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

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

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

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



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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll 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 2018, this amount was \$23,700. 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 2018, the District's surcharge obligation was \$33,417.

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 District's contractually required contribution to SERS was \$43,508 for fiscal year 2018. Of this amount, \$34,974 is reported as pension and postemployment benefits payable.

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

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.06010987%	0.05423723%	
Proportion of the net OPEB liability current measurement date	<u>0.05976440%</u>	<u>0.05494149%</u>	
Change in proportionate share	<u>-0.00034547%</u>	<u>0.00070426%</u>	
Proportionate share of the net OPEB liability	\$ 1,603,919	\$ 2,143,614	\$ 3,747,533
OPEB expense	\$ 91,478	\$ (648,733)	\$ (557,255)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 123,742	\$ 123,742
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	32,283	32,283
District contributions subsequent to the measurement date	<u>43,508</u>	<u>-</u>	<u>43,508</u>
Total deferred outflows of resources	<u>\$ 43,508</u>	<u>\$ 156,025</u>	<u>\$ 199,533</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on OPEB plan investments	\$ 4,235	\$ 91,623	\$ 95,858
Changes of assumptions	152,204	172,676	324,880
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>11,673</u>	<u>-</u>	<u>11,673</u>
Total deferred inflows of resources	<u>\$ 168,112</u>	<u>\$ 264,299</u>	<u>\$ 432,411</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$43,508 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (60,434)	\$ (25,680)	\$ (86,114)
2020	(60,434)	(25,680)	(86,114)
2021	(46,186)	(25,680)	(71,866)
2022	(1,058)	(25,679)	(26,737)
2023	-	(2,774)	(2,774)
Thereafter	-	(2,781)	(2,781)
Total	\$ (168,112)	\$ (108,274)	\$ (276,386)

***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.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 1,936,937	\$ 1,603,919	\$ 1,340,085

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PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,301,460	\$ 1,603,919	\$ 2,004,229

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 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, 2017, 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, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of 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 blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate* - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 2,877,768	\$ 2,143,614	\$ 1,563,393
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,489,291	\$ 2,143,614	\$ 3,004,780

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,215,373)
Net adjustment for revenue accruals	96,838
Net adjustment for expenditure accruals	(255,351)
Net adjustment for other sources/uses	178
Funds budgeted elsewhere **	91,297
Adjustment for encumbrances	<u>235,257</u>
GAAP basis	<u>\$ (1,047,154)</u>

As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate funds are considered part of the general fund on a GAAP basis. This includes the emergency levy fund, uniform school supplies fund, public school support fund, District agency fund, and underground storage tank fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not involved in material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District. The District has determined that these adjustments are immaterial.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 17 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	259,576
Current year qualifying expenditures	<u>(555,448)</u>
Total	<u>\$ (295,872)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End</u>
General fund	\$ 141,941
Other governmental	<u>22,765</u>
Total	<u>\$ 164,706</u>

REQUIRED SUPPLEMENTARY INFORMATION

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05884610%	0.05919210%	0.05322760%	0.05777400%	0.05777400%
District's proportionate share of the net pension liability	\$ 3,515,924	\$ 4,332,316	\$ 3,037,218	\$ 2,923,909	\$ 3,435,634
District's covered payroll	\$ 1,942,343	\$ 1,942,329	\$ 1,602,428	\$ 1,678,788	\$ 1,624,523
District's proportionate share of the net pension liability as a percentage of its covered payroll	181.01%	223.05%	189.54%	174.17%	211.49%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05494149%	0.05423723%	0.05504370%	0.05652400%	0.05652400%
District's proportionate share of the net pension liability	\$ 13,051,469	\$ 18,154,836	\$ 15,212,469	\$ 13,748,671	\$ 16,377,327
District's covered payroll	\$ 6,094,743	\$ 5,636,486	\$ 5,840,950	\$ 5,775,223	\$ 6,404,646
District's proportionate share of the net pension liability as a percentage of its covered payroll	214.14%	322.09%	260.45%	238.06%	255.71%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 272,469	\$ 271,928	\$ 271,926	\$ 211,200
Contributions in relation to the contractually required contribution	<u>(272,469)</u>	<u>(271,928)</u>	<u>(271,926)</u>	<u>(211,200)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,018,289	\$ 1,942,343	\$ 1,942,329	\$ 1,602,428
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 232,680	\$ 224,834	\$ 223,225	\$ 204,447	\$ 220,323	\$ 156,817
<u>(232,680)</u>	<u>(224,834)</u>	<u>(223,225)</u>	<u>(204,447)</u>	<u>(220,323)</u>	<u>(156,817)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,678,788	\$ 1,624,523	\$ 1,659,665	\$ 1,626,468	\$ 1,627,201	\$ 1,593,669
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 899,836	\$ 853,264	\$ 789,108	\$ 817,733
Contributions in relation to the contractually required contribution	<u>(899,836)</u>	<u>(853,264)</u>	<u>(789,108)</u>	<u>(817,733)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,427,400	\$ 6,094,743	\$ 5,636,486	\$ 5,840,950
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 750,779	\$ 832,604	\$ 796,190	\$ 779,171	\$ 754,827	\$ 742,656
<u>(750,779)</u>	<u>(832,604)</u>	<u>(796,190)</u>	<u>(779,171)</u>	<u>(754,827)</u>	<u>(742,656)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,775,223	\$ 6,404,646	\$ 6,124,538	\$ 5,993,623	\$ 5,806,362	\$ 5,712,738
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.05976440%	0.06010987%
District's proportionate share of the net OPEB liability	\$ 1,603,919	\$ 1,713,354
District's covered payroll	\$ 1,942,343	\$ 1,942,329
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.58%	88.21%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.05494149%	0.05423723%
District's proportionate share of the net OPEB liability	\$ 2,143,614	\$ 2,900,621
District's covered payroll	\$ 6,094,743	\$ 5,636,486
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.17%	51.46%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 43,508	\$ 32,801	\$ 30,953	\$ 42,384
Contributions in relation to the contractually required contribution	<u>(43,508)</u>	<u>(32,801)</u>	<u>(30,953)</u>	<u>(42,384)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,018,289	\$ 1,942,343	\$ 1,942,329	\$ 1,602,428
Contributions as a percentage of covered payroll	0.50%	0.00%	0.00%	0.82%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 31,542	\$ 28,629	\$ 43,400	\$ 59,137	\$ 42,143	\$ 104,745
<u>(31,542)</u>	<u>(28,629)</u>	<u>(43,400)</u>	<u>(59,137)</u>	<u>(42,143)</u>	<u>(104,745)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,678,788	\$ 1,624,523	\$ 1,659,665	\$ 1,626,468	\$ 1,627,201	\$ 1,593,669
0.14%	0.16%	0.55%	1.43%	0.46%	4.16%

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,427,400	\$ 6,094,743	\$ 5,636,486	\$ 5,840,950
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 59,994	\$ 64,046	\$ 61,245	\$ 59,936	\$ 58,064	\$ 57,127
<u>(59,994)</u>	<u>(64,046)</u>	<u>(61,245)</u>	<u>(59,936)</u>	<u>(58,064)</u>	<u>(57,127)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,775,223	\$ 6,404,646	\$ 6,124,538	\$ 5,993,623	\$ 5,806,362	\$ 5,712,738
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)



**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal Year 2018: 3.56%

Fiscal Year 2017: 2.92%

Single Equivalent Interest Rate, Net of Plan Investment Expense, Including Price Inflation:

Fiscal Year 2018: 3.63%

Fiscal Year 2017: 2.98%

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Breakfast Program	10.553	049205-3L70-2018	\$ 42,080
National School Lunch Program	10.555	049205-3L60-2018	195,887
Non-Cash Assistance (Food Distribution)	10.555	N/A	52,317
Special Milk Program	10.556	049205-3L60-2018	223
Total Child Nutrition Cluster			<u>290,507</u>
Total U.S. Department of Agriculture			<u><b>290,507</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	049205-3M20-2017	47,449
Special Education - Grants to States (IDEA, Part B)	84.027	049205-3M20-2018	226,386
Special Education - Grants to States (IDEA Preschool)	84.173	049205-3C50-2018	9,186
Total - Special Education Cluster			<u>283,021</u>
Title I Grants to Local Educational Agencies			
(Title I, Part A of the ESEA)	84.010	049205-3M00-2017	34,840
(Title I, Part A of the ESEA)	84.010	049205-3M00-2018	185,083
Total Title I Grants to Local Educational Agencies			<u>219,923</u>
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	049205-3Y60-2017	3,686
Improving Teacher Quality State Grants	84.367	049205-3Y60-2018	36,025
Total Improving Teacher Quality State Grants			<u>39,711</u>
Student Support and Enrichment Program	84.424	049205-3HI0-2018	7,299
Total U.S. Department of Education			<u><b>549,954</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 840,461</b></u>

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of James A. Garfield Local School District (the District) under programs of the federal government for the year ended June 30, 2018. 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 District, it is not intended to and does not present the financial position or changes in net position of the 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 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The 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 District transferred the following amounts from 2018 to 2019 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Student Support and Enrichment Program	84.424	2,701



# Dave Yost • Auditor of State

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

James A. Garfield Local School District  
Portage County  
10235 State Route 88  
Garrettsville, Ohio 44231

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the James A. Garfield Local School District, Portage County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2019 wherein we noted the District adopted Governmental Accounting Standards Board Statement 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 7, 2019



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

James A. Garfield Local School District  
Portage County  
10235 State Route 88  
Garrettsville, Ohio 44231

To the Board of Education:

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

We have audited the James A. Garfield Local School District's (the 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 the James A. Garfield Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

The 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 District's compliance for the District's major federal program 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 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the James A. Garfield Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

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

The 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 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 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 7, 2019



**JAMES A GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2018**

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

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

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

None

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

None

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 7, 2019**