



Certified Public Accountants, A.C.

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY
Single Audit
For the Year Ended June 30, 2019**

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Finneytown Local School District
8916 Fontainebleau Terrace
Cincinnati, OH 45231

We have reviewed the *Independent Auditor's Report* of Finneytown Local School District, Hamilton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 30, 2020

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**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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HAMILTON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

December 20, 2019

Finneytown Local School District
Hamilton County
8916 Fontainebleau Terrace
Cincinnati, Ohio 45231

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 **Finneytown Local School District**, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2019, 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.

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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 Finneytown Local School District, Hamilton County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, required budgetary comparison for the General Fund, and schedules of net pension and OPEB liabilities and pension and OPEB 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule 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 December 20, 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 cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

The discussion and analysis of Finneytown Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- Net position of government activities increased \$5,683,430 or 58% from 2018.
- General revenues accounted for \$21,001,689 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,254,119 or 17% of total revenues of \$25,255,808.

Overview of the 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. The General Fund is the major fund of the District.

Government-wide Financial Statements

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 2019?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources*, and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, overall financial position of the District is presented as Governmental Activities. All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities and interest and fiscal charges.

**Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. 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.

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 statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District as a Whole

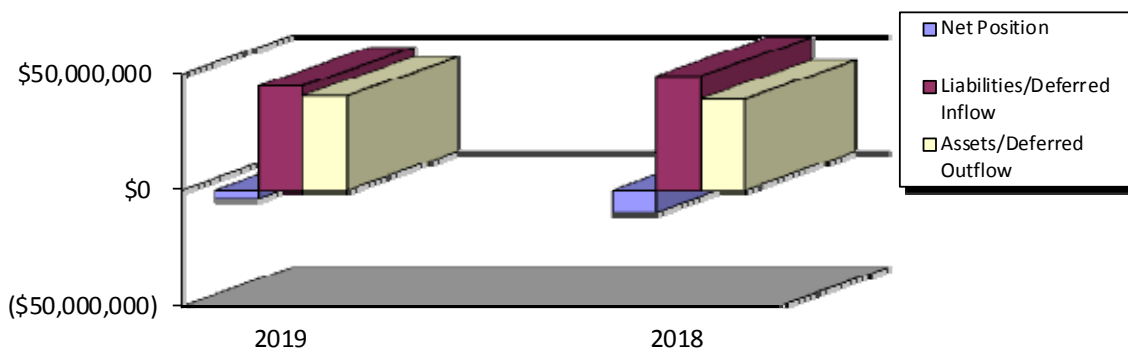
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2019 compared to 2018:

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**Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

**Table 1
Net Position**

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2019 | 2018 |
| Assets: | | |
| Current and Other Assets | \$23,752,132 | \$20,639,937 |
| Net OPEB Asset | 1,207,654 | 0 |
| Capital Assets | 9,714,857 | 10,535,373 |
| Total Assets | 34,674,643 | 31,175,310 |
| Deferred Outflows of Resources: | | |
| OPEB | 268,699 | 276,287 |
| Pension | 5,841,793 | 7,930,128 |
| Total Deferred Outflows of Resources | 6,110,492 | 8,206,415 |
| Liabilities: | | |
| Other Liabilities | 2,716,755 | 2,864,315 |
| Long-Term Liabilities | 30,287,432 | 37,361,725 |
| Total Liabilities | 33,004,187 | 40,226,040 |
| Deferred Inflows of Resources: | | |
| Property Taxes | 6,879,539 | 6,788,745 |
| Revenue in Lieu of Taxes | 256,000 | 250,000 |
| OPEB | 2,569,302 | 743,406 |
| Pension | 2,162,105 | 1,142,962 |
| Total Deferred Inflows of Resources | 11,866,946 | 8,925,113 |
| Net Position: | | |
| Net Investment in Capital Assets | 3,199,524 | 2,983,735 |
| Restricted | 2,904,331 | 2,242,025 |
| Unrestricted (Deficit) | (10,189,853) | (14,995,188) |
| Total Net Position (Deficit) | (\$4,085,998) | (\$9,769,428) |



Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's liabilities and deferred inflows exceeded assets and deferred outflows by \$4,085,998.

At year-end, capital assets represented 24% of total assets and deferred outflows. Capital assets include land, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2019, totaled \$3,199,524. 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, \$2,904,331 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Table 2 shows the changes in net position for fiscal years 2019 and 2018.

Table 2
Changes in Net Position

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2019 | 2018 |
| Revenues: | | |
| Program Revenues | | |
| Charges for Services | \$481,800 | \$749,329 |
| Operating Grants, Contributions | 3,772,319 | 3,750,531 |
| General Revenues: | | |
| Property Taxes | 11,245,511 | 11,275,238 |
| Grants and Entitlements | 8,257,592 | 7,990,192 |
| Other | 1,498,586 | 605,986 |
| Total Revenues | <u>25,255,808</u> | <u>24,371,276</u> |
| Program Expenses: | | |
| Instruction | 10,891,897 | 6,538,893 |
| Support Services: | | |
| Pupil and Instructional Staff | 2,008,908 | 1,462,701 |
| School Administrative, General | | |
| Administration, Fiscal and Business | 1,617,479 | 908,237 |
| Operations and Maintenance | 1,441,226 | 1,062,361 |
| Pupil Transportation | 1,092,414 | 1,038,253 |
| Central | 70,489 | 52,591 |
| Operation of Non-Instructional Services | 1,897,078 | 1,501,515 |
| Extracurricular Activities | 368,460 | 109,756 |
| Interest and Fiscal Charges | 184,427 | 208,956 |
| Total Program Expenses | <u>19,572,378</u> | <u>12,883,263</u> |
| Change in Net Position | 5,683,430 | 11,488,013 |
| Net Position (Deficit) - Beginning of Year | <u>(9,769,428)</u> | <u>(21,257,441)</u> |
| Net Position (Deficit) - End of Year | <u>(\$4,085,998)</u> | <u>(\$9,769,428)</u> |

Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The District revenues are mainly from two sources. Property taxes levied for general, debt services and capital projects, and grants and entitlements comprised 77% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes must periodically return to the voters to maintain a constant level of service in an inflationary environment. Property taxes made up 45% of revenue for governmental activities for the District in fiscal year 2019.

Total revenues increased from the prior year mainly due to an increase in grants and entitlements and other revenues. Total expenses increased due to changes related to net pension liability and other post employment benefits liability.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

Table 3
Governmental Activities

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-------------------------------|---------------------|-----------------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Instruction | \$10,891,897 | \$6,538,893 | (\$8,834,574) | (\$4,184,394) |
| Support Services: | | | | |
| Pupil and Instructional Staff | 2,008,908 | 1,462,701 | (1,768,815) | (1,331,073) |
| School Administrative, General | | | | |
| Administration, Fiscal and Business | 1,617,479 | 908,237 | (1,568,714) | (795,056) |
| Operations and Maintenance | 1,441,226 | 1,062,361 | (1,441,051) | (1,058,061) |
| Pupil Transportation | 1,092,414 | 1,038,253 | (1,018,438) | (964,063) |
| Central | 70,489 | 52,591 | (70,489) | (52,591) |
| Operation of Non-Instructional Services | 1,897,078 | 1,501,515 | (166,188) | 219,600 |
| Extracurricular Activities | 368,460 | 109,756 | (265,563) | (8,809) |
| Interest and Fiscal Charges | 184,427 | 208,956 | (184,427) | (208,956) |
| Total Expenses | <u>\$19,572,378</u> | <u>\$12,883,263</u> | <u>(\$15,318,259)</u> | <u>(\$8,383,403)</u> |

**Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

Instruction comprises 56% of governmental program expenses. Support services comprise 32% of governmental program expenses. All other expenses including interest expense comprise 12%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$19,911,292 (84%) of the total \$23,755,724 governmental funds assets.

General Fund: Fund balance at June 30, 2019 was \$10,420,678, an increase in fund balance of \$2,457,890 from 2018. The fund balance increased mostly due to total revenues exceeding expenditures throughout the year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis estimated revenue was \$20,349,346, compared to original budget estimates of \$19,883,963. Of the \$465,383 difference, most was due to a underestimating taxes and intergovernmental revenue.

The District's ending unobligated actual fund balance for the General Fund was \$8,727,228.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$9,714,857 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2019 balances compared to fiscal 2018:

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**Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

**Table 4
Capital Assets at Year End
(Net of Depreciation)**

| | Governmental Activities | |
|----------------------------|-------------------------|---------------------|
| | 2019 | 2018 |
| Land | \$1,154,812 | \$1,154,812 |
| Buildings and Improvements | 7,749,849 | 8,471,626 |
| Equipment | 810,196 | 908,935 |
| Total Net Capital Assets | <u>\$9,714,857</u> | <u>\$10,535,373</u> |

The decrease in capital assets is due to depreciation expense and disposals exceeding current year additions.

See Note 6 to the basic financial statements for more details on the District's capital assets.

Debt

At fiscal year end, the District had \$6,705,949 in general obligation bonds and \$62,000 in capital lease obligations outstanding. The amount due within one year on these obligations totals \$1,037,000. Table 5 summarizes total outstanding debt.

**Table 5
Outstanding Debt at Year End**

| | 2019 | 2018 |
|------------------------------------|--------------------|--------------------|
| General Obligation Bonds Payable: | | |
| 2010 Refunding Bonds | \$3,150,949 | \$3,613,258 |
| 2012 Series HB264 Bonds | 910,000 | 1,010,000 |
| 2014 Series Bonds | 2,645,000 | 3,020,000 |
| Capital Leases Payable Obligations | 62,000 | 121,000 |
| Total Outstanding Debt at Year End | <u>\$6,767,949</u> | <u>\$7,764,258</u> |

See Notes 7 and 8 to the basic financial statements for more details on the District's debt.

For the Future

The District faces opportunities and challenges of many kinds, including state funding, the legislative environment, changes to the tax base, student enrollment fluctuations, facility needs, the ability to raise new local revenue and control the growth of expenditures.

The State of Ohio provides significant revenue to the District through its school funding program. A new Ohio biennial budget took effect beginning July 18, 2019. The new biennial budget, House Bill 166, guarantees foundation funding at FY2019 levels while adding \$550 million over the biennium for Student Wellness and Success Funding (SWSF). SWSF is designed to address the non-educational barriers to success faced by disadvantaged students. Funds must be used in at least one of eleven

**Finneytown Local School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)**

categories, such as mental health services, services for homeless youth, mentoring programs, and the like.

The school district and its professional organizations continue to monitor and in some cases provide input to the legislative process at the state and federal level for its potential impact on the district and the education of its students.

While the real estate market has been improving in some parts of the state for quite a while, the recovery finally took hold in the District with the calendar 2017 reappraisal. Residential property increased 4.0%, though commercial/industrial valuation declined 0.4%. Public Utility Personal Property increased 7.6%. The uptick will increase general property tax (real estate) revenues by \$40,000 and Tangible Personal Property by \$67,000 annually, beginning in calendar year 2018.

District enrollment has been in a slow steady decline each of the last three years. Because districts are funded by the state on a per pupil basis, changes in student enrollment can influence the amount of funding received from the state.

Despite a long-standing maintenance and capital improvement plan, aging district facilities and space limitations are proving to be a challenge to the district. The district reconfigured grade levels acrossed its buildings in fiscal year 2018 to ease the strain, yet issues remain. The district partnered with the Ohio Facilities Construction Commission to update it's facilities master plan. The Board of Education authorized the placement of a \$28.87 million bond issue on the November 2019 ballot, to build a new elementary building.

The district has experienced operating surpluses in seven of the last eight fiscal years. The district's last operating levy was approved in May 2010. This operating levy should continue to provide adequate funding for at least four more years.

The District is working very hard to control expenditure growth, while maintaining a first-class academic program. Despite the fact it's last operating levy dates back to May 2010, cash balances are still very healthy. With continued careful planning and monitoring of the District's finances, management is confident that the District can continue to provide a quality education for our students and a sustainable financial future.

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 the Treasurer at Finneytown Local School District, 8916 Fontainebleau Terrace, Cincinnati, Ohio 45231.

Finneytown Local School District
Statement of Net Position
June 30, 2019

| | Governmental Activities |
|---------------------------------------|----------------------------|
| Assets: | |
| Equity in Pooled Cash and Investments | \$11,078,640 |
| Receivables (Net): | |
| Taxes | 11,793,403 |
| Accounts | 86,213 |
| Intergovernmental | 758,051 |
| Prepays | 35,825 |
| Nondepreciable Capital Assets | 1,154,812 |
| Depreciable Capital Assets, Net | 8,560,045 |
| Net OPEB Asset | 1,207,654 |
| | <u>34,674,643</u> |
| Total Assets | |
| Deferred Outflows of Resources: | |
| Pension | 5,841,793 |
| OPEB | 268,699 |
| | <u>6,110,492</u> |
| Total Deferred Outflows of Resources | |
| Liabilities: | |
| Accounts Payable | 35,696 |
| Accrued Wages and Benefits | 2,651,736 |
| Accrued Interest Payable | 11,508 |
| Unearned Revenue | 17,815 |
| Long-Term Liabilities: | |
| Due Within One Year | 1,134,032 |
| Due In More Than One Year | |
| Net Pension Liability | 20,313,576 |
| Net OPEB Liability | 1,848,849 |
| Other Amounts | 6,990,975 |
| | <u>33,004,187</u> |
| Total Liabilities | |
| Deferred Inflows of Resources: | |
| Property Taxes | 6,879,539 |
| Revenue in Lieu of Taxes | 256,000 |
| Pension | 2,162,105 |
| OPEB | 2,569,302 |
| | <u>11,866,946</u> |
| Total Deferred Inflows of Resources | |
| Net Position: | |
| Net Investment in Capital Assets | 3,199,524 |
| Restricted for: | |
| Debt Service | 1,181,980 |
| Capital Projects | 631,214 |
| Athletic | 132,591 |
| Auxiliary Services | 30,054 |
| State Grants | 25,438 |
| Federal Grants | 276,886 |
| Food Service | 3,096 |
| Other Purposes | 623,072 |
| Unrestricted (Deficit) | <u>(10,189,853)</u> |
| Total Net Position (Deficit) | <u>(\$4,085,998)</u> |

See accompanying notes to the basic financial statements.

Finneytown Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

| | Expenses | Program Revenues | | Net (Expense) Revenue |
|---|---------------------|-----------------------------------|---------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | and Changes in Net Position Governmental Activities |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$6,398,481 | \$227,964 | \$32,880 | (\$6,137,637) |
| Special | 3,385,548 | 112,968 | 1,282,282 | (1,990,298) |
| Vocational | 68,527 | 0 | 10,500 | (58,027) |
| Adult/Continuing | 11,528 | 0 | 0 | (11,528) |
| Other | 1,027,813 | 36,537 | 354,192 | (637,084) |
| Support Services: | | | | |
| Pupil | 1,369,853 | 1,259 | 72,532 | (1,296,062) |
| Instructional Staff | 639,055 | 0 | 166,302 | (472,753) |
| General Administration | 20,211 | 0 | 0 | (20,211) |
| School Administration | 998,404 | 0 | 48,765 | (949,639) |
| Fiscal | 433,513 | 0 | 0 | (433,513) |
| Business | 165,351 | 0 | 0 | (165,351) |
| Operations and Maintenance | 1,441,226 | 175 | 0 | (1,441,051) |
| Pupil Transportation | 1,092,414 | 0 | 73,976 | (1,018,438) |
| Central | 70,489 | 0 | 0 | (70,489) |
| Operation of Non-Instructional Services | 1,897,078 | 0 | 1,730,890 | (166,188) |
| Extracurricular Activities | 368,460 | 102,897 | 0 | (265,563) |
| Interest and Fiscal Charges | 184,427 | 0 | 0 | (184,427) |
| Total Governmental Activities | \$19,572,378 | \$481,800 | \$3,772,319 | (15,318,259) |

General Revenues:

Property Taxes Levied for:

| | |
|---|------------|
| General Purposes | 10,101,555 |
| Debt Service Purposes | 921,111 |
| Capital Projects Purposes | 222,845 |
| Grants and Entitlements, Not Restricted | 8,257,592 |
| Revenue in Lieu of Taxes | 269,429 |
| Unrestricted Contributions | 3,189 |
| Investment Earnings | 262,546 |
| Other Revenues | 963,422 |

Total General Revenues 21,001,689

Change in Net Position 5,683,430

Net Position (Deficit) - Beginning of Year (9,769,428)

Net Position (Deficit) - End of Year (\$4,085,998)

See accompanying notes to the basic financial statements.

Finneytown Local School District
Balance Sheet
Governmental Funds
June 30, 2019

| | General | Other Governmental Funds | Total Governmental Funds |
|--|----------------------------|--------------------------------|--------------------------------|
| Assets: | | | |
| Equity in Pooled Cash and Investments | \$8,915,168 | \$2,163,472 | \$11,078,640 |
| Receivables (Net): | | | |
| Taxes | 10,585,687 | 1,207,716 | 11,793,403 |
| Accounts | 77,206 | 9,007 | 86,213 |
| Intergovernmental | 296,535 | 461,516 | 758,051 |
| Interfund | 3,592 | 0 | 3,592 |
| Prepays | 33,104 | 2,721 | 35,825 |
| Total Assets | <u>19,911,292</u> | <u>3,844,432</u> | <u>23,755,724</u> |
| Liabilities: | | | |
| Accounts Payable | 14,876 | 20,820 | 35,696 |
| Accrued Wages and Benefits | 2,450,366 | 201,370 | 2,651,736 |
| Compensated Absences | 53,685 | 0 | 53,685 |
| Interfund Payable | 0 | 3,592 | 3,592 |
| Unearned Revenue | 0 | 17,815 | 17,815 |
| Total Liabilities | <u>2,518,927</u> | <u>243,597</u> | <u>2,762,524</u> |
| Deferred Inflows of Resources: | | | |
| Property Taxes | 6,715,687 | 777,716 | 7,493,403 |
| Grants and Other Taxes | 256,000 | 316,219 | 572,219 |
| Total Deferred Inflows of Resources | <u>6,971,687</u> | <u>1,093,935</u> | <u>8,065,622</u> |
| Fund Balances: | | | |
| Nonspendable | 33,104 | 2,721 | 35,825 |
| Restricted | 0 | 2,570,357 | 2,570,357 |
| Assigned | 18,178 | 0 | 18,178 |
| Unassigned (Deficit) | 10,369,396 | (66,178) | 10,303,218 |
| Total Fund Balances | <u>10,420,678</u> | <u>2,506,900</u> | <u>12,927,578</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$19,911,292</u> | <u>\$3,844,432</u> | <u>\$23,755,724</u> |

See accompanying notes to the basic financial statements.

Finneytown Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2019

Total Governmental Fund Balance \$12,927,578

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 9,714,857

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

| | | |
|---------------------------|----------------|---------|
| Delinquent Property Taxes | 613,864 | |
| Intergovernmental | <u>316,219</u> | |
| | | 930,083 |

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources.

(11,508)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (1,303,373)

Deferred outflows and inflows or resources related to pensions and OPEB
 are applicable to future periods and, therefore, are not
 reported in the funds.

| | | |
|--|--------------------|-----------|
| Deferred outflows of resources related to pensions | 5,841,793 | |
| Deferred inflows of resources related to pensions | (2,162,105) | |
| Deferred outflows of resources related to OPEB | 268,699 | |
| Deferred inflows of resources related to OPEB | <u>(2,569,302)</u> | |
| Deferred outflows of resources related to pensions | | 1,379,085 |

Long-term liabilities and net OPEB assets are not available to pay for
 current period expenditures and are not due and payable in the
 current period and, therefore, are not reported in the funds.

| | | |
|-----------------------|--------------------|---------------------|
| Net OPEB Asset | 1,207,654 | |
| Net Pension Liability | (20,313,576) | |
| Net OPEB Liability | (1,848,849) | |
| Other Amounts | <u>(6,767,949)</u> | |
| | | <u>(27,722,720)</u> |

Net Position of Governmental Activities (\$4,085,998)

See accompanying notes to the basic financial statements.

Finneytown Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2019

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Property and Other Taxes | \$10,056,133 | \$1,138,939 | \$11,195,072 |
| Tuition and Fees | 338,337 | 3,465 | 341,802 |
| Investment Earnings | 258,135 | 4,411 | 262,546 |
| Intergovernmental | 9,118,638 | 2,889,285 | 12,007,923 |
| Extracurricular Activities | 0 | 103,288 | 103,288 |
| Charges for Services | 36,537 | 0 | 36,537 |
| Revenue in Lieu of Taxes | 269,412 | 17 | 269,429 |
| Other Revenues | 441,990 | 524,793 | 966,783 |
| Total Revenues | 20,519,182 | 4,664,198 | 25,183,380 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 6,948,672 | 27,897 | 6,976,569 |
| Special | 3,333,497 | 368,991 | 3,702,488 |
| Vocational | 51,245 | 0 | 51,245 |
| Adult/Continuing | 11,528 | 0 | 11,528 |
| Other | 783,972 | 311,353 | 1,095,325 |
| Support Services: | | | |
| Pupil | 1,390,555 | 57,351 | 1,447,906 |
| Instructional Staff | 456,749 | 128,539 | 585,288 |
| General Administration | 22,065 | 0 | 22,065 |
| School Administration | 1,197,233 | 51,580 | 1,248,813 |
| Fiscal | 484,127 | 14,820 | 498,947 |
| Business | 206,801 | 0 | 206,801 |
| Operations and Maintenance | 1,434,261 | 0 | 1,434,261 |
| Pupil Transportation | 1,096,377 | 0 | 1,096,377 |
| Central | 76,530 | 0 | 76,530 |
| Operation of Non-Instructional Services | 105,686 | 1,967,814 | 2,073,500 |
| Extracurricular Activities | 314,497 | 101,291 | 415,788 |
| Capital Outlay | 0 | 6,900 | 6,900 |
| Debt Service: | | | |
| Principal Retirement | 100,000 | 924,000 | 1,024,000 |
| Interest and Fiscal Charges | 45,504 | 112,900 | 158,404 |
| Total Expenditures | 18,059,299 | 4,073,436 | 22,132,735 |
| Excess of Revenues Over (Under) Expenditures | 2,459,883 | 590,762 | 3,050,645 |
| Other Financing Sources (Uses): | | | |
| Proceeds from Sale of Capital Assets | 1,007 | 0 | 1,007 |
| Transfers In | 0 | 3,000 | 3,000 |
| Transfers (Out) | (3,000) | 0 | (3,000) |
| Total Other Financing Sources (Uses) | (1,993) | 3,000 | 1,007 |
| Net Change in Fund Balance | 2,457,890 | 593,762 | 3,051,652 |
| Fund Balance - Beginning of Year | 7,962,788 | 1,913,138 | 9,875,926 |
| Fund Balance - End of Year | \$10,420,678 | \$2,506,900 | \$12,927,578 |

See accompanying notes to the basic financial statements.

Finneytown Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balance - Total Governmental Funds \$3,051,652

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

| | | |
|--|-----------|-----------|
| Capital assets used in governmental activities | \$236,830 | |
| Depreciation Expense | (949,461) | |
| | | (712,631) |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (107,885)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension and OPEB expense.

| | | |
|--|-------------|-----------|
| District pension contributions for pension | \$1,520,790 | |
| Pension Expense | (1,898,337) | |
| District pension contributions for OPEB | 49,232 | |
| OPEB Expense | 2,678,417 | |
| | | 2,350,102 |

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

| | | |
|---------------------------|----------|--------|
| Delinquent Property Taxes | \$50,439 | |
| Intergovernmental | 21,989 | |
| | | 72,428 |

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,024,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due. 1,668

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

| | | |
|------------------------------|----------|-------|
| Compensated Absences | \$31,787 | |
| Amortization of Bond Premium | 12,305 | |
| Bond Accretion | (39,996) | |
| | | 4,096 |

Change in Net Position of Governmental Activities \$5,683,430

See accompanying notes to the basic financial statements.

Finneytown Local School District
Statement of Assets and Liabilities
Fiduciary Fund
June 30, 2019

| | <u>Agency</u> |
|---------------------------------------|-----------------|
| Assets: | |
| Equity in Pooled Cash and Investments | <u>\$42,490</u> |
| Total Assets | <u>42,490</u> |
| | |
| Liabilities: | |
| Other Liabilities | <u>42,490</u> |
| Total Liabilities | <u>\$42,490</u> |

See accompanying notes to the basic financial statements.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Description Of The District And Reporting Entity

The Finneytown Local School District (the “District”) is a political body incorporated for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Finneytown Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The district’s total average daily membership was 1,522 students in fiscal year 2019. The District employed 123 certificated employees and 58 non-certificated employees. The District operated 3 schools – Brent Elementary (grades K-1), Whitaker Elementary (grades 2-5), and the Finneytown Secondary Campus (grades 6-12).

Management believes the financial statements included in this report represent all of the funds of the District for which the Board of Education is financially accountable.

Reporting Entity

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities. The District contracts with an outside organization for food service.

The following activities are included within the reporting entity:

Within the District boundaries, St. Xavier High School, St. Vivian Elementary School and Central Baptist Academy, are operated as private schools. Current State legislation provides funding to parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. For financial reporting purposes, activity is reflected in a special revenue fund.

The District is associated with four jointly governed organizations. These organizations include:

Jointly Governed Organizations:

Great Oaks Career Campuses
Hamilton Clermont Cooperative Information Technology Center
Unified Purchasing Cooperative of the Ohio River Valley
Greater Cincinnati Insurance Consortium

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary Of Significant Accounting Policies

Measurement Focus

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

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of Net Positions. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Accounting

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

Governmental Funds

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

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

The other governmental funds of the District account for grants, other resources and debt service of the District, whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on Net Positions and changes in Net Positions. Fiduciary funds are classified as trust funds and agency funds. 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 funds include a student managed activity fund and a school-related support organization district agency fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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. 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 year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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, deferred outflows of resources related to pension and OPEB are reported on the government-wide statement of net position for pension. For more pension and OPEB related information, see Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, revenue in lieu of taxes, grants and other taxes (which includes tax incremental financing 'TIF'), and pension and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's (revenue in lieu of taxes and other taxes) have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension and OPEB plans are reported on the governmental-wide statement of net position. For more pension and OPEB related information, see Notes 9 and 10.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities, to the extent used during the year, is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. To the extent unused donated commodities exist, they are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

Cash received by the District is pooled for investment purposes. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

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 their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the District allocates interest earnings to funds as prescribed by Board resolution and required by law. Interest revenue during fiscal year 2019 amounted to \$258,135 in the general fund and \$4,411 in other governmental funds.

Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of two thousand dollars (\$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. Interest incurred during the construction of capital assets is also capitalized.

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

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------|------------------------|
| Land Improvements | 20 years |
| Buildings | 40 years |
| Building Improvements | 20 years |
| Equipment | 5 - 20 years |

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting payment method.

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

For governmental fund financial statements, the compensated absences is the amount due and payable. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| | | | |
|---------------------------------|---|--|--|
| <u>Vacation</u> How Earned | <u>Certified</u> Not Eligible | <u>Administrators</u> 20-25 days per year depending on length of service | <u>Non-Certificated</u> 10-20 days per year depending upon length of service |
| Maximum Accumulation | Not Applicable | Up to 20 days from prior years; Payout option: up to 5 unused days/year | Three times annual award |
| Vested | Not Applicable | As Earned | As Earned |
| Termination Entitlement | Not Applicable | Paid upon termination | Paid upon termination |
| <u>Sick Leave</u> How Earned | <u>Certified</u> 1 1/4 days per month of employment (15 days per year) | <u>Administrators</u> 1 1/4 days per month of employment (15 days per year) | <u>Non-Certificated</u> 1 1/4 days per month of employment (15 days per year) |
| Maximum Accumulation | 230 days | 245 or 260 days | 230 days |
| Vested | As Earned; 7 years if hired after 7/1/13 | After 7 years | After 7 years |
| Termination Entitlement | ¼ paid upon retirement; ½ paid if 1 st year retirement eligible | Severance based upon 32.43% of final contract salary; 62.16% if 1 st year retirement eligible | ¼ paid upon retirement; ½ paid if 1 st year retirement eligible |

Pensions/Other Postemployment Benefits (OPEB)

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Net Positions

Net Positions represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net Positions are reported as restricted when there are limitations imposed on their 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Positions are available.

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 financial statements.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

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

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Estimates

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

Note 3 - Cash And Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of Net Positions and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States.
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures".

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2019, \$592,644 of the District's bank balance of \$3,296,711 was exposed to custodial credit risk because it was uninsured and collateralized.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the District had the following investments:

| | <u>Value</u> | <u>Fair Value Hierarchy</u> | <u>Weighted Average Maturity (Years)</u> |
|-------------|---------------------------|---------------------------------|--|
| STAR Ohio | <u>\$7,986,947</u> | N/A | 0.12 |
| Total Value | <u><u>\$7,986,947</u></u> | | |

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above tables identify the School District's recurring fair value measurement as of June 30, 2019. Star Ohio is reported at its net asset value (Net Asset value per share).

Interest rate risk

It is the District's policy to manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio, by matching investment maturities to scheduled obligations and by maintaining desired liquidity objectives.

Credit risk

It is the District's policy to limit its investments, that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, to investments which are rated at the time of purchase in the highest classification established by at least two (2) nationally recognized statistical rating organizations. The District's investments in STAR Ohio was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

During fiscal year 2019, the District's investments consisted of State Treasury Asset Reserve of Ohio (STAR Ohio).

Custodial credit risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District requires that all purchased securities are either insured and registered in the name of the District or at least registered in the name of the District.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Note 4 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes collected in 2019 were levied in April on assessed values as of the January 1, 2018 lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Public utility property taxes collected in 2019 were levied in April on assessed values as of the December 31, 2018 lien date. Public utility property taxes are assessed on real property at 35 percent of true value. Tangible personal property taxes have been phased out and are no longer collected in the state of Ohio.

Real property taxes are payable annually or semi-annually. In 2019, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th. Payments by multi-county tangible personal property taxpayers are due September 20th. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30th; if paid semiannually, the first payment is due April 30th, with the remainder payable by September 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2019. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2019. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations.

On a full accrual basis, collectible delinquent property taxes in the amount of \$613,864 have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2019 taxes were collected are:

| | <u>Amount</u> |
|---|-----------------------------|
| Agricultural/Residential and Other Real Estate | \$183,613,750 |
| Public Utility Personal | <u>10,936,540</u> |
| Total | <u><u>\$194,550,290</u></u> |

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 5 – Receivables

Receivables at June 30, 2019, consisted of taxes, accounts, intergovernmental, and interfund. 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.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------------|------------------|--------------------|
| Governmental Activities | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$1,154,812 | \$0 | \$0 | \$1,154,812 |
| Capital Assets, being depreciated: | | | | |
| Buildings and Improvements | 19,685,573 | 14,865 | 109,993 | 19,590,445 |
| Equipment | 4,606,543 | 221,965 | 45,543 | 4,782,965 |
| Totals at Historical Cost | <u>25,446,928</u> | <u>236,830</u> | <u>155,536</u> | <u>25,528,222</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | 11,213,947 | 631,690 | 5,041 | 11,840,596 |
| Equipment | 3,697,608 | 317,771 | 42,610 | 3,972,769 |
| Total Accumulated Depreciation | <u>14,911,555</u> | <u>949,461</u> | <u>47,651</u> | <u>15,813,365</u> |
| Governmental Activities Capital Assets, Net | <u>\$10,535,373</u> | <u>(\$712,631)</u> | <u>\$107,885</u> | <u>\$9,714,857</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|------------------|
| Instruction: | |
| Regular | \$453,210 |
| Special | 92,198 |
| Vocational | 17,282 |
| Support Services: | |
| Pupils | 51,065 |
| Instructional Staff | 152,715 |
| School Administration | 54,792 |
| Fiscal | 283 |
| Business | 1,412 |
| Operations & Maintenance | 75,522 |
| Pupil Transportation | 9,360 |
| Central | 268 |
| Operation of Non-Instructional Services | 33,469 |
| Extracurricular Activities | 7,885 |
| Total Depreciation Expense | <u>\$949,461</u> |

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Long-Term Liabilities

The change in the District's long-term obligations during the year consists of the following:

| | Interest Rate | Beginning Balance | Additions | Deductions | Ending Balance | Due In One Year |
|--|------------------|----------------------|-----------|-------------|-------------------|--------------------|
| Governmental Activities: | | | | | | |
| Bonds/Notes Payable: | | | | | | |
| 2010 Series Refunding | 3.48% | \$3,175,000 | \$ 0 | \$ 490,000 | \$ 2,685,000 | \$ 500,000 |
| 2010 Series Capital Appreciation Bonds | | 200,000 | 0 | 0 | 200,000 | 0 |
| Accretion of Interest | | 212,620 | 39,996 | 0 | 252,616 | 0 |
| Premium on Refunding Bonds | | 25,638 | 0 | 12,305 | 13,333 | 0 |
| 2012 Series HB 264 Bonds | 4.47% | 1,010,000 | 0 | 100,000 | 910,000 | 100,000 |
| 2014 School Improvement Bonds | 0.35% | 3,020,000 | 0 | 375,000 | 2,645,000 | 375,000 |
| Subtotal Bonds | | 7,643,258 | 39,996 | 977,305 | 6,705,949 | 975,000 |
| Capital Lease | | 121,000 | 0 | 59,000 | 62,000 | 62,000 |
| Compensated Absences | | 1,351,632 | 67,220 | 61,794 | 1,357,058 | 97,032 |
| Subtotal Bonds and Other Amounts | | 9,115,890 | 107,216 | 1,098,099 | 8,125,007 | 1,134,032 |
| Net Pension Liability | | | | | | |
| STRS | | 18,232,531 | 0 | 1,707,774 | 16,524,757 | 0 |
| SERS | | 4,810,976 | 0 | 1,022,157 | 3,788,819 | 0 |
| Subtotal Net Pension Liability | | 23,043,507 | 0 | 2,729,931 | 20,313,576 | 0 |
| Net OPEB Liability | | | | | | |
| STRS | | 2,994,568 | 0 | 2,994,568 | 0 (a) | 0 |
| SERS | | 2,207,760 | 0 | 358,911 | 1,848,849 | 0 |
| Subtotal Net OPEB Liability | | 5,202,328 | 0 | 3,353,479 | 1,848,849 | 0 |
| Total Long-Term Obligations | | \$37,361,725 | \$107,216 | \$7,181,509 | \$30,287,432 | \$1,134,032 |

(a) OPEB for STRS has a Net OPEB asset in the amount of \$1,207,654 as of June 30, 2019.

On August 3, 2010, the District current refunded \$3,960,000 in School Improvement Bonds that were originally issued for the purpose of new construction, improvements, renovations and additions to school facilities. The refunding lowered the interest cost from 5.80% to 3.48%. Of the \$3,960,000 issued, \$3,760,000 represented serial bonds and \$200,000 were capital appreciation bonds. The capital appreciation bonds for the 2010 issue mature on December 1, 2020. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$520,000. For fiscal year 2019, \$39,996 was accreted, for a total bond liability of \$452,616.

In August 2012, the District received authorization from the Ohio Schools Facility Commission to participate in the School Energy Conservation Financing Program pursuant to ORC 133.06. and authorization from the Ohio Department of Education to participate in Ohio's Qualified Zone Academy Bond (QZAB) Program pursuant to H.R. 2014, the Taxpayer Relief Act of 1997. The District subsequently issued \$1,510,000 in Energy Conservation Improvement Bonds through a private placement on October 2, 2012. The bonds mature on December 1, 2027. The District will repay debt and interest payments from the General Fund via the reduced energy cost, increased operational efficiency and QZAB interest subsidy.

On November 6, 2012, District voters approved a 15-year, 1.98 mill bond issue providing \$4,700,000 to improve building security, replace failing roofs and HVAC (heating, ventilation and air conditioning) systems, and to replace deteriorating parking lots and driveways. School Improvement Bond

Finneytown Local School District
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For the Fiscal Year Ended June 30, 2019

Anticipation Notes in the amount of \$4,700,000 were issued on January 15, 2013, with a October 30, 2013 maturity date. On October 29, 2013, the district issued \$4,500,000 in School Improvement Bonds through a private placement. These bonds were issued under Ohio’s Qualified Zone Academy Bond (QZAB) Program, pursuant to H.R. 2014, the Taxpayer Relief Act of 1997. The QZAB School Improvement Bonds mature on December 16, 2025. Collection of bond fund tax receipts began in January 2013.

Except for the Energy Conservation Bonds previously noted, all other general obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid or the Termination Benefits Fund (Fund 035). Capital lease obligations will be paid from the permanent improvement fund.

The District’s Board of Education has approved a Retirement Assistance Plan. Participation is open to employees that agree to retire at the end of the school year in which they first become eligible (as determined by the retirement system). Employees that qualify will receive a severance per diem stipend of fifty percent (50%) of accumulated unused sick leave. Administrative employees that qualify receive 62.16% of their final contract salary. The year end liability is paid out in two installments. Employees not qualifying for the Retirement Assistance Program receive twenty-five percent (25%) of accumulated sick leave paid in September. Administrative employees that do not qualify receive 32.43% of their final contract salary. This liability is included in the Compensated Absences portion of the table above.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefitting from their service.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

| Fiscal Year Ending June 30 | School Improvement Bonds | | | Capital Appreciation Bonds | | |
|-------------------------------|--------------------------|------------------|--------------------|----------------------------|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$975,000 | \$50,022 | \$1,025,022 | \$0 | \$0 | \$0 |
| 2021 | 475,000 | 128,249 | 603,249 | 200,000 | 320,000 | 520,000 |
| 2022 | 995,000 | 113,697 | 1,108,697 | 0 | 0 | 0 |
| 2023 | 1,016,000 | 99,170 | 1,115,170 | 0 | 0 | 0 |
| 2024 | 1,036,000 | 75,508 | 1,111,508 | 0 | 0 | 0 |
| 2025-2028 | 1,743,000 | 83,331 | 1,826,331 | 0 | 0 | 0 |
| Total | <u>\$6,240,000</u> | <u>\$549,977</u> | <u>\$6,789,977</u> | <u>\$200,000</u> | <u>\$320,000</u> | <u>\$520,000</u> |

In July 2010, Standard & Poor's increased the district's bond rating from "A" to "AA". In December 2012, Standard & Poor's assigned its “SP-1+” short-term rating to the district’s school improvement bond anticipation notes and reaffirmed its long-term rating on the district’s outstanding General Obligation Bonds.

Note 8 - Capital Leases – Lessee Disclosure

In fiscal year 2004, the District entered into a lease-purchase agreement for the construction of gymnasium bleachers, a bus garage/maintenance building and middle school elevator. In fiscal year 2008, the District amended the lease-purchase agreement to replace the bus garage building portion of the Original Project with the acquisition and improvement of real property, including demolition, site improvements and construction of an access drive. The School District is leasing the project from the

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the lease term. Columbus Regional Airport Authority assigned U.S. Bank as trustee. The lease is renewable annually and expires in 2019. The intention of the District is to renew the lease annually.

The District makes semi-annual lease payments from the Permanent Improvement Fund to U.S. Bank Corporate Trust Services. The trustee entered into an Interest Rate Exchange Agreement with respect to the loan, locking in the rate at 3.745% plus an annual administrative fee not to exceed .15%. The letter of credit fee was increased by 20 basis points effective in 1/1/2012. In fiscal year 2019, the District made the scheduled principal payment of \$59,000. The principal amount owed on the lease at fiscal year-end is \$62,000.

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

| Fiscal Year Ending June 30 | Capital Lease |
|---|------------------|
| 2020 | \$63,429 |
| Total Minimum Lease Payments | \$63,429 |
| Amount Representing Interest and Additional program cost component | (1,429) |
| Present Value of Minimum Lease Payments | \$62,000 |

Note 9 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

**Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description

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

Age and service requirements for retirement are as follows:

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

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

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

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

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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$315,570 for fiscal year 2019. Of this amount \$7,625 is reported as accrued wages and benefits.

Plan Description - State Teachers Retirement System (STRS)

Plan Description

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

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

For the DB Plan, from August 1, 2015 – July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017 – July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through 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. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

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For the Fiscal Year Ended June 30, 2019

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes 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.

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

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

Funding Policy

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The contractually required contribution to STRS was \$1,205,220 for fiscal year 2019. Of this amount \$200,648 is reported as accrued wages and benefits.

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

The net pension liability was measured as of June 30 2018, 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|---------------------|---------------------|--------------|
| Proportionate Share of the Net Pension Liability | \$3,788,819 | \$16,524,757 | \$20,313,576 |
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.06615500% | 0.07515436% | |
| Prior Measurement Date | <u>0.08052140%</u> | <u>0.07675170%</u> | |
| Change in Proportionate Share | <u>-0.01436640%</u> | <u>-0.00159734%</u> | |
| Pension Expense | (\$7,040) | \$1,905,377 | \$1,898,337 |

At June 30 2019, 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> |
|--|------------------|--------------------|--------------------|
| <u>Deferred Outflows of Resources</u> | | | |
| Differences between expected and actual experience | \$207,793 | \$381,442 | \$589,235 |
| Changes of assumptions | 85,560 | 2,928,498 | 3,014,058 |
| Changes in employer proportionate share of net pension liability | 22,282 | 695,428 | 717,710 |
| Contributions subsequent to the measurement date | <u>315,570</u> | <u>1,205,220</u> | <u>1,520,790</u> |
| Total Deferred Outflows of Resources | <u>\$631,205</u> | <u>\$5,210,588</u> | <u>\$5,841,793</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| Differences between expected and actual experience | \$0 | \$107,917 | \$107,917 |
| Net difference between projected and actual earnings on pension plan investments | 104,977 | 1,002,043 | 1,107,020 |
| Changes in employer proportionate share of net pension liability | <u>709,257</u> | <u>237,911</u> | <u>947,168</u> |
| Total Deferred Inflows of Resources | <u>\$814,234</u> | <u>\$1,347,871</u> | <u>\$2,162,105</u> |

\$1,520,790 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year | | | |
|-----------------|--------------------|--------------------|--------------------|
| Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| 2020 | (\$143,068) | \$1,731,911 | \$1,588,843 |
| 2021 | (198,999) | 1,087,322 | 888,323 |
| 2022 | (124,338) | 112,120 | (12,218) |
| 2023 | <u>(32,194)</u> | <u>(273,856)</u> | <u>(306,050)</u> |
| Total | <u>(\$498,599)</u> | <u>\$2,657,497</u> | <u>\$2,158,898</u> |

Finneytown Local School District
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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 2018, are presented below:

| | |
|--|---|
| Inflation | 3.00% |
| Future Salary Increases, including inflation | 3.50% to 18.20% |
| COLA or Ad Hoc COLA | 2.50% |
| Investment Rate of Return | 7.50% net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

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

**Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

| 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 | 100.00% | |

Discount Rate

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|--|-------------------------|-----------------------------------|-------------------------|
| Proportionate share of the net pension liability | \$5,336,838 | \$3,788,819 | \$2,490,910 |

Assumption and Benefit Changes Since the Prior Measurement Date

With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1 2018, actuarial valuation, are presented below:

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Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| | |
|-----------------------------------|--|
| Inflation | 2.50% |
| Projected Salary Increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment Rate of Return | 7.45%, net of investment expenses, including inflation |
| Discount Rate of Return | 7.45% |
| Payroll Increases | 3.00% |
| Cost-of-Living Adjustments (COLA) | 0%, effective July 1, 2017 |

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the 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, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

**Finneytown Local School District
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2019**

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45 percent or one percentage point higher 8.45 percent than the current discount rate:

| | 1% Decrease 6.45% | Current Discount Rate 7.45% | 1% Increase 8.45% |
|--|-------------------------|-----------------------------------|-------------------------|
| Proportionate share of the net pension liability | \$24,132,231 | \$16,524,757 | \$10,086,061 |

Assumption and Benefit Changes since the Prior Measurement Date

There were no changes in assumptions or benefit terms since the prior measurement date.

Note 10 - Defined Benefit OPEB Plans

See note 9 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description

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

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

Funding Policy

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less

Finneytown Local School District
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than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the District's surcharge obligation was \$37,544.

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 contractually required contribution to SERS was \$49,232 for fiscal year 2019. Of this amount \$7,625 is reported as accrued wages and benefits.

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 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, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities (Assets), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------|
| Proportionate Share of the Net OPEB Liability | \$1,848,849 | \$0 | \$1,848,849 |
| Proportionate Share of the Net OPEB (Asset) | 0 | (1,207,654) | (1,207,654) |
| Proportion of the Net OPEB Liability/Asset: | | | |
| Current Measurement Date | 0.06664270% | 0.07515436% | |
| Prior Measurement Date | <u>0.08226440%</u> | <u>0.07675170%</u> | |
| Change in Proportionate Share | <u>-0.01562170%</u> | <u>-0.00159734%</u> | |
| OPEB Expense | (\$59,205) | (\$2,619,212) | (\$2,678,417) |

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At June 30 2019, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | SERS | STRS | Total |
|---|------------------|--------------------|--------------------|
| <u>Deferred Outflows of Resources</u> | | | |
| Differences between expected and actual experience | \$30,180 | \$141,056 | \$171,236 |
| Changes in employer proportionate share of net OPEB liability | 0 | 48,231 | 48,231 |
| Contributions subsequent to the measurement date | 49,232 | 0 | 49,232 |
| Total Deferred Outflows of Resources | \$79,412 | \$189,287 | \$268,699 |
| <u>Deferred Inflows of Resources</u> | | | |
| Differences between expected and actual experience | \$0 | \$70,362 | \$70,362 |
| Changes of assumptions | 166,105 | 1,645,524 | 1,811,629 |
| Net difference between projected and actual earnings on OPEB plan investments | 2,774 | 137,964 | 140,738 |
| Changes in employer proportionate share of net OPEB liability | 489,651 | 56,922 | 546,573 |
| Total Deferred Inflows of Resources | \$658,530 | \$1,910,772 | \$2,569,302 |

\$49,232 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year | SERS | STRS | Total |
|-----------------|--------------------|----------------------|----------------------|
| Ending June 30: | | | |
| 2020 | (\$196,941) | (\$306,496) | (\$503,437) |
| 2021 | (168,370) | (306,496) | (474,866) |
| 2022 | (77,893) | (306,496) | (384,389) |
| 2023 | (76,712) | (275,163) | (351,875) |
| 2024 | (76,904) | (264,172) | (341,076) |
| Thereafter | (31,530) | (262,662) | (294,192) |
| Total | (\$628,350) | (\$1,721,485) | (\$2,349,835) |

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.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30 2018, are presented below:

| | |
|---|--|
| Inflation | 3.00% |
| Wage Increases | 3.50% to 18.20% |
| Investment Rate of Return | 7.50% net of investment expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.62% |
| Prior Measurement Date | 3.56% |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation: | |
| Measurement Date | 3.70% |
| Prior Measurement Date | 3.63% |
| Medical Trend Assumption: | |
| Medicare | 5.375% to 4.75% |
| Pre-Medicare | 7.25% to 4.75% |

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.

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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 | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 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 3.62 percent, as of June 30, 2018 (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 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 (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) than the current rate.

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$2,243,432 | \$1,848,849 | \$1,536,412 |

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| | 1% Decrease (6.25% decreasing to 3.75%) | Current Trend Rate (7.25% decreasing to 4.75%) | 1% Increase (8.25% decreasing to 5.75%) |
|---|---|--|---|
| Proportionate share of the net OPEB liability | \$1,491,682 | \$1,848,849 | \$2,321,802 |

Assumption and Benefit Changes since the Prior Measurement Date

The following changes in key methods and assumptions as presented below:

(1) Discount Rate:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |

(2) Municipal Bond Index Rate:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.56% |
| Measurement Date | 3.62% |

(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30 2018, actuarial valuation are presented below:

| | |
|----------------------------|--|
| Projected Salary Increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment Rate of Return | 7.45%, net of investment expenses, including inflation |
| Payroll Increases | 3% |
| Discount Rate of Return | 7.45% |

Health Care Cost Trends:

Medical:

| | |
|--------------|-------------------------|
| Pre-Medicare | 6% initial, 4% ultimate |
| Medicare | 5% initial, 4% ultimate |

Prescription Drug:

| | |
|--------------|------------------------------|
| Pre-Medicare | 8% initial, 4% ultimate |
| Medicare | (5.23%) initial, 4% 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, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended 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 projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. 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.

Sensitivity of the Proportionate Share of the Net OPEB (Asset) to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB (asset) as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB (asset) | (\$1,035,072) | (\$1,207,654) | (\$1,352,700) |

**Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|----------------|-----------------------|----------------|
| Proportionate share of the net OPEB (asset) | (\$1,344,512) | (\$1,207,654) | (\$1,068,663) |

Assumption and Benefit Changes since the Prior Measurement Date

The discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

Note 11 – Contingencies

Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2019.

Litigation

The District has filed civil suit to appeal a wrongful termination ruling, handed down in the Court of Common Pleas, Hamilton County in 2019.

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2019, the District contracted with Wells Fargo Insurance Services for property, boiler and machinery insurance and for general liability insurance.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The District maintains blanket building and contents insurance coverage on its assets with a \$47,500,133 limit of liability and a \$2,500 deductible. Vehicles have a \$500 deductible for comprehensive, \$500 deductible for collision and a \$1,000,000 single limited liability. Settlement amounts have not exceeded insurance coverage for any of the past three fiscal years.

The District maintains general liability insurance with limits of \$1,000,000 each occurrence, \$2,000,000 aggregate. The District also has \$1,000,000 umbrella liability coverage over both general and automobile liability limits.

The District maintains cyberliability insurance for data compromise, extortion (ransomware) and legal defense with a \$1,000,000 limit and a \$5,000 deductible. The district also has a \$500,000 blanket employee bond, forgery, computer fraud and faithful performance and \$100,000 in imposter fraud coverage. The Treasurer has a separate bond through Ohio Casualty Insurance Company in the amount of \$20,000.

For fiscal year 2019 the District provided employee medical/surgical benefits through the Greater Cincinnati Insurance Consortium.

Note 13 – Jointly Governed Organizations

Great Oaks Career Campuses - Great Oaks Career Campuses (Great Oaks) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative each of the participating school districts' elected board. Great Oaks possesses its own budgeting and taxing authority. To obtain financial information, contact the Treasurer at Great Oaks Career Campuses, 3254 East Kemper Road, Cincinnati, Ohio 45241.

Hamilton Clermont Cooperative Information Technology Center – The District is a participant in the Hamilton Clermont Cooperative Information Technology Center (HCC), a regional Information Technology Center (ITC) established by the state of Ohio. HCC is a member of the Ohio Educational Computer Network. HCC provides data and Internet services for public and non-public schools in the Greater Cincinnati Metropolitan Area. The governing board of HCC consists of the superintendents and treasurers of the participating members. To obtain financial information, contact the Director at HCC, 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Unified Purchasing Cooperative of the Ohio River Valley - The Unified Purchasing Cooperative of the Ohio River Valley is a jointly governed organization among a two-county consortium of school districts. The Unified Purchasing Cooperative was organized to benefit member districts with a more economically sound purchasing mechanism for general school, office, and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments.

Greater Cincinnati Insurance Consortium – The District is a member of the Greater Cincinnati Insurance Consortium (GCIC) which is a group insurance consortium. The Consortium is a jointly governed organization with member governmental entities and provides a wide range of group insurance benefits to each member schools employees and dependents and designated beneficiaries. The purpose of the consortium is to establish and maintain a fund to provide and/or purchase health insurance, dental insurance, life insurance and other insurance benefits to employees, their dependents and designated beneficiaries. The consortium is governed by a Board of Directors made up from one representative of each school district/service center. Financial information can be obtained from the Greater Cincinnati Insurance Consortium at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

**Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note 14 - Set-Aside Calculations

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

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

| | <u>Capital Acquisition</u> |
|---|--------------------------------|
| Set Aside Reserve Balance as of June 30, 2018 | \$0 |
| Current Year Set Aside Requirements | 261,623 |
| Qualified Disbursements | (336,305) |
| Current Year Offsets | 0 |
| Set Aside Reserve Balance as of June 30, 2019 | <u>(\$74,682)</u> |
| Restricted Cash as of June 30, 2019 | <u>\$0</u> |
| Carried Forward to FY 2020 | \$0 |

For fiscal year ended June 30, 2019, the School District was required to set aside funds in the budget reserve set-aside in the amount of \$0. The available offset remaining for future years is \$7,293,532.

Note 15 – Fund Balances

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

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Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| Fund Balances | General | Nonmajor Governmental Funds | Total |
|-----------------------------|---------------------|-----------------------------------|---------------------|
| Nonspendable: | | | |
| Prepays | \$33,104 | \$2,721 | \$35,825 |
| Total Nonspendable | 33,104 | 2,721 | 35,825 |
| Restricted for: | | | |
| Other Grant Funds | 0 | 623,072 | 623,072 |
| Athletic | 0 | 132,591 | 132,591 |
| Auxiliary Services | 0 | 29,974 | 29,974 |
| Miscellaneous State Grants | 0 | 25,438 | 25,438 |
| Improving Teacher Quality | 0 | 2 | 2 |
| Food Service | 0 | 3,096 | 3,096 |
| Debt Service | 0 | 1,137,562 | 1,137,562 |
| Permanent Improvement | 0 | 618,622 | 618,622 |
| Total Restricted | 0 | 2,570,357 | 2,570,357 |
| Assigned to: | | | |
| Public School Support | 18,178 | 0 | 18,178 |
| Total Assigned | 18,178 | 0 | 18,178 |
| Unassigned (Deficit) | 10,369,396 | (66,178) | 10,303,218 |
| Total Fund Balance | \$10,420,678 | \$2,506,900 | \$12,927,578 |

Note 16 – Accountability

The following individual funds had a deficit balance at year end:

| Fund | Amount |
|---------------------------|-----------------|
| Other Governmental Funds: | |
| Title I | \$26,626 |
| Title III | 1,644 |
| Special Education | 35,267 |
| Total All Funds | <u>\$63,537</u> |

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

Note 17 - Interfund Transactions

Interfund transactions at June 30, 2019, consisted of the following interfund receivables, interfund payables, transfers in, and transfers out:

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

| | Interfund | | Transfers | |
|--------------------------|----------------|----------------|----------------|----------------|
| | Receivable | Payable | In | Out |
| General Fund | \$3,592 | \$0 | \$0 | \$3,000 |
| Other Governmental Funds | 0 | 3,592 | 3,000 | 0 |
| Total All Funds | <u>\$3,592</u> | <u>\$3,592</u> | <u>\$3,000</u> | <u>\$3,000</u> |

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Note 18 – Construction And Commitments

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

| | |
|------------------------------|--------|
| General Fund | \$277 |
| All other governmental funds | 95,062 |

Note 19 – Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended June 30, 2019, the following have been implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 sets out to address the accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The implementation of GASB Statement No. 83 did not have an effect on the financial statements.

GASB Statement No. 88 sets out to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. If applicable, GASB Statement No. 88 has been implemented in the notes to financial statements.

Finneytown Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 20 – Subsequent Event

On November 5, 2019 district voters approved a 7.69 mill combination bond issue (7.19 mill) and tax levy for maintaining classroom facilities (0.50 mill) proposal. The bond issue will raise \$28.87 million for new school buildings and qualifies the district for participation in the Ohio Facilities Construction Commission Expedited Local Partnership Program. The state's Ohio Facilities Construction Commission's Classroom Facilities Assistance Program matching share is \$27.87 million.

REQUIRED SUPPLEMENTARY INFORMATION

Finneytown Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

| Year | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|--|---|----------------------------|--|--|
| 2019 | 0.07515436% | \$16,524,757 | \$8,795,571 | 187.88% | 77.30% |
| 2018 | 0.07675170% | 18,232,531 | 8,577,600 | 212.56% | 75.30% |
| 2017 | 0.07548912% | 25,268,484 | 8,062,029 | 313.43% | 66.80% |
| 2016 | 0.07290720% | 20,149,418 | 7,435,371 | 270.99% | 72.10% |
| 2015 | 0.06975548% | 16,966,947 | 7,675,323 | 221.06% | 74.70% |
| 2014 | 0.06975548% | 20,156,486 | 8,524,615 | 236.45% | 69.30% |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Six Fiscal Years (1) (2)

| Year | District's Proportion of the Net Pension Liability | District's Proportionate Share of the Net Pension Liability | District's Covered Payroll | District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|--|---|----------------------------|--|--|
| 2019 | 0.06615500% | \$3,788,819 | \$2,327,230 | 162.80% | 71.36% |
| 2018 | 0.08052140% | 4,810,976 | 2,692,636 | 178.67% | 69.50% |
| 2017 | 0.08877980% | 6,497,862 | 2,757,171 | 235.67% | 62.98% |
| 2016 | 0.08803340% | 5,023,271 | 2,871,624 | 174.93% | 69.16% |
| 2015 | 0.08047200% | 4,072,642 | 2,677,035 | 152.13% | 71.70% |
| 2014 | 0.08047200% | 4,786,844 | 2,742,486 | 174.54% | 65.52% |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

| Year | District's Contractually Required Contribution | District's Contributions in Relation to the Contractually Required Contributions | District's Contribution Deficiency (Excess) | District's Covered Payroll | District's Contributions as a Percentage of Covered Payroll |
|------|--|--|---|----------------------------|---|
| 2019 | \$1,205,220 | (\$1,205,220) | \$0 | \$8,608,714 | 14.00% |
| 2018 | 1,231,380 | (1,231,380) | 0 | 8,795,571 | 14.00% |
| 2017 | 1,200,864 | (1,200,864) | 0 | 8,577,600 | 14.00% |
| 2016 | 1,128,684 | (1,128,684) | 0 | 8,062,029 | 14.00% |
| 2015 | 1,040,952 | (1,040,952) | 0 | 7,435,371 | 14.00% |
| 2014 | 997,792 | (997,792) | 0 | 7,675,323 | 13.00% |
| 2013 | 1,108,200 | (1,108,200) | 0 | 8,524,615 | 13.00% |
| 2012 | 1,157,832 | (1,157,832) | 0 | 8,906,400 | 13.00% |
| 2011 | 1,209,552 | (1,209,552) | 0 | 9,304,246 | 13.00% |
| 2010 | 1,212,528 | (1,212,528) | 0 | 9,327,138 | 13.00% |

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net Pension Liability
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

| Year | District's Contractually Required Contribution | District's Contributions in Relation to the Contractually Required Contributions | District's Contribution Deficiency (Excess) | District's Covered Payroll | District's Contributions as a Percentage of Covered Payroll |
|------|--|--|---|----------------------------|---|
| 2019 | \$315,570 | (\$315,570) | \$0 | \$2,337,556 | 13.50% |
| 2018 | 314,176 | (314,176) | 0 | 2,327,230 | 13.50% |
| 2017 | 376,969 | (376,969) | 0 | 2,692,636 | 14.00% |
| 2016 | 386,004 | (386,004) | 0 | 2,757,171 | 14.00% |
| 2015 | 378,480 | (378,480) | 0 | 2,871,624 | 13.18% |
| 2014 | 371,037 | (371,037) | 0 | 2,677,035 | 13.86% |
| 2013 | 379,560 | (379,560) | 0 | 2,742,486 | 13.84% |
| 2012 | 413,856 | (413,856) | 0 | 3,076,996 | 13.45% |
| 2011 | 448,800 | (448,800) | 0 | 3,570,406 | 12.57% |
| 2010 | 416,184 | (416,184) | 0 | 3,073,737 | 13.54% |

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

| Year | District's Proportion of the Net OPEB (Asset)/Liability | District's Proportionate Share of the Net OPEB (Asset)/Liability | District's Covered Payroll | District's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability |
|------|---|--|----------------------------|---|---|
| 2019 | 0.07515436% | (\$1,207,654) | \$8,795,571 | (13.73%) | 176.00% |
| 2018 | 0.07675170% | 2,994,568 | 8,577,600 | 34.91% | 47.10% |
| 2017 | 0.07548912% | 4,037,177 | 8,062,029 | 50.08% | 37.30% |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Three Fiscal Years (1) (2)

| Year | District's Proportion of the Net OPEB Liability | District's Proportionate Share of the Net OPEB Liability | District's Covered Payroll | District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|------|---|--|----------------------------|---|---|
| 2019 | 0.06664270% | \$1,848,849 | \$2,327,230 | 79.44% | 13.57% |
| 2018 | 0.08226440% | 2,207,760 | 2,692,636 | 81.99% | 12.46% |
| 2017 | 0.08985675% | 2,561,250 | 2,757,171 | 92.89% | 11.49% |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

(2) Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB (Asset)/Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)

| Year | District's Contractually Required Contribution | District's Contributions in Relation to the Contractually Required Contributions | District's Contribution Deficiency (Excess) | District's Covered Payroll | District's Contributions as a Percentage of Covered Payroll |
|------|--|--|---|----------------------------|---|
| 2019 | \$0 | \$0 | \$0 | \$8,608,714 | 0.00% |
| 2018 | 0 | 0 | 0 | 8,795,571 | 0.00% |
| 2017 | 0 | 0 | 0 | 8,577,600 | 0.00% |
| 2016 | 0 | 0 | 0 | 8,062,029 | 0.00% |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Required Supplementary Information
 Schedule of District's Contributions for Net OPEB Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1) (2)

| Year | District's Contractually Required Contribution (2) | District's Contributions in Relation to the Contractually Required Contributions | District's Contribution Deficiency (Excess) | District's Covered Payroll | District's Contributions as a Percentage of Covered Payroll |
|------|--|--|---|----------------------------|---|
| 2019 | \$49,232 | (\$49,232) | \$0 | \$2,337,556 | 2.11% |
| 2018 | 45,545 | (45,545) | 0 | 2,327,230 | 1.96% |
| 2017 | 47,398 | (47,398) | 0 | 2,692,636 | 1.76% |
| 2016 | 44,986 | (44,986) | 0 | 2,757,171 | 1.63% |

(1) The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

(2) Includes surcharge.

See accompanying notes to the required supplementary information.

Finneytown Local School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
 For the Fiscal Year Ended June 30, 2019

| | General Fund | | | |
|--|--------------------|--------------------|--------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance from Final Budget |
| Revenues: | | | | |
| Taxes | \$9,673,156 | \$9,899,555 | \$9,938,343 | \$38,788 |
| Revenue in lieu of taxes | 262,223 | 268,361 | 269,412 | 1,051 |
| Tuition and Fees | 373,594 | 382,338 | 383,836 | 1,498 |
| Investment Earnings | 251,247 | 257,128 | 258,135 | 1,007 |
| Intergovernmental | 8,876,034 | 9,083,777 | 9,119,368 | 35,591 |
| Charges for Services | 35,562 | 36,394 | 36,537 | 143 |
| Other Revenues | 412,147 | 421,793 | 423,446 | 1,653 |
| Total Revenues | 19,883,963 | 20,349,346 | 20,429,077 | 79,731 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,186,515 | 6,828,092 | 6,778,012 | 50,080 |
| Special | 3,535,417 | 3,359,090 | 3,334,453 | 24,637 |
| Vocational | 54,333 | 51,624 | 51,245 | 379 |
| Adult/Continuing | 12,223 | 11,716 | 11,528 | 188 |
| Other | 854,699 | 812,071 | 806,115 | 5,956 |
| Support Services: | | | | |
| Pupil | 1,443,613 | 1,371,614 | 1,361,554 | 10,060 |
| Instructional Staff | 500,622 | 475,654 | 472,165 | 3,489 |
| General Administration | 23,420 | 22,252 | 22,089 | 163 |
| School Administration | 1,401,974 | 1,332,052 | 1,322,282 | 9,770 |
| Fiscal | 519,040 | 493,153 | 489,536 | 3,617 |
| Business | 209,749 | 199,288 | 197,826 | 1,462 |
| Operations and Maintenance | 1,530,890 | 1,454,538 | 1,443,870 | 10,668 |
| Pupil Transportation | 1,163,346 | 1,105,325 | 1,097,218 | 8,107 |
| Central | 80,489 | 76,475 | 75,914 | 561 |
| Operation of Non-Instructional Services | 113,105 | 107,464 | 106,676 | 788 |
| Extracurricular Activities | 325,067 | 308,854 | 306,589 | 2,265 |
| Debt Service: | | | | |
| Principal Retirement | 100,000 | 100,739 | 100,000 | 739 |
| Interest and Fiscal Charges | 54,273 | 45,840 | 45,504 | 336 |
| Total Expenditures | 19,108,775 | 18,155,841 | 18,022,576 | 133,265 |
| Excess of Revenues Over (Under) Expenditures | 775,188 | 2,193,505 | 2,406,501 | 212,996 |
| Other financing sources (uses): | | | | |
| Advances In | 77,088 | 78,892 | 79,201 | 309 |
| Advances (Out) | (83,974) | (79,786) | (79,201) | 585 |
| Transfers (Out) | (3,181) | (3,022) | (3,000) | 22 |
| Total Other Financing Sources (Uses) | (10,067) | (3,916) | (3,000) | 916 |
| Net Change in Fund Balance | 765,121 | 2,189,589 | 2,403,501 | 213,912 |
| Fund Balance - Beginning of Year (includes prior year encumbrances appropriated) | 6,323,727 | 6,323,727 | 6,323,727 | 0 |
| Fund Balance - End of Year | \$7,088,848 | \$8,513,316 | \$8,727,228 | \$213,912 |

See accompanying notes to the Required Supplementary Information.

Finneytown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Note 1 - Budgetary Process

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

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

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

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis to the budgetary basis for the general fund.

Finneytown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balance

| | <u>General</u> |
|----------------------------|---------------------------|
| GAAP Basis | \$2,457,890 |
| Revenue Accruals | (90,105) |
| Expenditure Accruals | 36,716 |
| Proceeds of Capital Assets | (1,007) |
| Advances In | 79,201 |
| Advances (Out) | (79,201) |
| Funds Budgeted Elsewhere | <u>7</u> |
| | <u><u>\$2,403,501</u></u> |

Note 2 - Net Pension Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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,
- (7) 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
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Finneytown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) 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,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

Note 3 - Net OPEB (Asset)/Liability

School Employees Retirement System (SERS)

Changes in Benefit Terms:

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in Assumptions:

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |
- (2) Municipal Bond Index Rate:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.56% |
| Measurement Date | 3.62% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |

Finneytown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

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

| | |
|---|-------|
| (1) Discount Rate: | |
| Fiscal Year 2018 | 3.63% |
| Fiscal Year 2017 | 2.98% |
| (2) Municipal Bond Index Rate: | |
| Fiscal Year 2018 | 3.56% |
| Fiscal Year 2017 | 2.92% |
| (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation: | |
| Fiscal Year 2018 | 3.63% |
| Fiscal Year 2017 | 2.98% |

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) 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,
- (6) 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, and
- (7) 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.

State Teachers Retirement System (STRS)

Changes in Benefit Terms:

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in Assumptions:

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting

Finneytown Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Federal Grantor/ Pass Through Grantor / Program Title | Grant Year | Federal CFDA Number | Total Federal Expenditures |
|--|-----------------------|------------------------------------|---------------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through The Ohio Department of Education:</i> | | | |
| Special Education Cluster (IDEA): | | | |
| Special Education Grants to States (IDEA Part B) | 2018 | 84.027 | \$ 78,358 |
| Special Education Grants to States (IDEA Part B) | 2019 | 84.027 | 446,088 |
| Total Special Education Grants to States (IDEA Part B) | | | <u>524,446</u> |
| Special Education Preschool Grants (IDEA Preschool) | 2019 | 84.173 | 9,998 |
| Total Special Education Preschool Grant | | | <u>9,998</u> |
| Total Special Education Cluster (IDEA) | | | <u>534,444</u> |
| Title I Grants to Local Educational Agencies | 2018 | 84.010 | 69,300 |
| Title I Grants to Local Educational Agencies | 2019 | 84.010 | 259,219 |
| Total Title I | | | <u>328,519</u> |
| English Language Acquisition State Grants | 2018 | 84.365 | 3,251 |
| English Language Acquisition State Grants | 2019 | 84.365 | 18,206 |
| Total English Language Acquisition State Grants | | | <u>21,457</u> |
| Supporting Effective Instruction State Grants | 2018 | 84.367 | 1,085 |
| Supporting Effective Instruction State Grants | 2019 | 84.367 | 70,960 |
| Total Supporting Effective Instruction State Grants | | | <u>72,045</u> |
| Student Support and Academic Enrichment Program | 2018 | 84.424 | 1,100 |
| Student Support and Academic Enrichment Program | 2019 | 84.424 | 14,444 |
| Total Student Support and Academic Enrichment Program | | | <u>15,544</u> |
| Total – U.S. Department of Education | | | <u>972,009</u> |
| Total Federal Financial Assistance | | | <u>\$ 972,009</u> |

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

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Finneytown Local School District, Hamilton County, Ohio (the District) under programs of the federal government for the year ended June 30, 2019. 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.



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749 Wheeling Ave., Suite 300
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 20, 2019

Finneytown Local School District
Hamilton County
8916 Fontainebleau Terrace
Cincinnati, Ohio 45231

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 **Finneytown Local School District**, Hamilton County (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

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

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

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

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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 communication is not suitable for any other purpose.



Perry and Associates
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Marietta, Ohio



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**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**

December 20, 2019

Finneytown Local School District
Hamilton County
8916 Fontainebleau Terrace
Cincinnati, Ohio 45231

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited **Finneytown 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 Finneytown Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of audit 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.

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Opinion on the Major Federal Program

In our opinion, Finneytown 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, 2019.

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 compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**FINNEYTOWN LOCAL SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|---|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Special Education Cluster (IDEA): Special Education Grants to States (IDEA Part B) – CFDA #84.027 and Special Education Preschool Grant – CFDA #84.173 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee under 2 CFR § 200.520? | Yes |

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

None

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

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OHIO AUDITOR OF STATE KEITH FABER



FINNEYTOWN LOCAL SCHOOL DISTRICT

HAMILTON 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 13, 2020**