



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MCDONALD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2019**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	19
Statement of Fiduciary Assets and Liabilities – Agency Fund .....	20
Notes to the Basic Financial Statements .....	21

**MCDONALD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2019**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Required Supplementary Information:	
Schedule of the School District's Proportionate Share of the Net Pension Liability (SERS) .....	R2
Schedule of the School District's Proportionate Share of the Net OPEB Liability (SERS) .....	R4
Schedule of the School District's Proportionate Share of the Net Pension Liability (STRS) .....	R6
Schedule of the School District's Proportionate Share of the Net OPEB (Asset) Liability (STRS) .....	R8
Schedule of the School District's Contributions (SERS) .....	R10
Schedule of the School District's Contributions (STRS) .....	R12
Notes to Required Supplementary Information .....	R14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	73

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

McDonald Local School District  
Trumbull County  
600 Iowa Avenue  
McDonald, Ohio 44437

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McDonald Local School District, Trumbull 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the McDonald Local School District, Trumbull County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

February 14, 2020

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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As management of the McDonald Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

- Net position increased in fiscal year 2019 due mainly to changes in the net pension liability and net OPEB (asset) liability and the deferred outflows of resources associated with these liabilities and decreases in intergovernmental payables. Total program expenses increased in fiscal year 2019 due to changes in the net pension liability and net OPEB liability.
- Capital asset additions included land, construction in progress, buildings and improvements and equipment and furniture. The land acquisition and construction in progress involve the ongoing athletic complex project. Buildings and improvements additions include stage rigging, security upgrades and boiler and masonry repairs.
- Outstanding long-term obligations decreased during fiscal year 2019 due to decreases in the net pension and OPEB liabilities along with annual debt payments.
- The School District's assessed valuation showed an increase in fiscal year 2019.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

***Government-wide Financial Statements*** The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

***Fund Financial Statements*** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the district replacement capital projects fund. All of the funds of the School District can be divided into two categories: governmental and fiduciary.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 School District's general governmental 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 difference) 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 Fund*** A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

***Notes to the Basic Financial Statements*** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2019 compared to 2018.

**Table 1**  
Net Position  
Governmental Activities

	2019	2018	Change
<b>Assets</b>			
Current and Other Assets	\$10,434,970	\$10,424,166	\$10,804
Net OPEB Asset	542,369	0	542,369
Capital Assets, Net	10,229,284	10,350,476	(121,192)
<i>Total Assets</i>	<u>21,206,623</u>	<u>20,774,642</u>	<u>431,981</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	19,112	24,705	(5,593)
Pension	2,827,425	3,239,230	(411,805)
OPEB	215,098	161,896	53,202
<i>Total Deferred Outflows of Resources</i>	<u>3,061,635</u>	<u>3,425,831</u>	<u>(364,196)</u>
<b>Liabilities</b>			
Current Liabilities	939,119	1,450,167	511,048
Long-Term Liabilities			
Due Within One Year	185,669	181,800	(3,869)
Due in More Than One Year			
Net Pension Liability	8,771,499	9,024,155	252,656
Net OPEB Liability	658,298	1,877,014	1,218,716
Other Amounts	801,248	959,522	158,274
<i>Total Liabilities</i>	<u>11,355,833</u>	<u>13,492,658</u>	<u>2,136,825</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,776,327	1,306,829	(469,498)
Pension	571,811	379,713	(192,098)
OPEB	892,712	215,471	(677,241)
<i>Total Deferred Inflows of Resources</i>	<u>3,240,850</u>	<u>1,902,013</u>	<u>(1,338,837)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	9,759,179	9,849,173	(89,994)
Restricted for:			
Capital Projects	260,692	304,559	(43,867)
Debt Service	116,808	127,040	(10,232)
Unclaimed Monies	1,332	21,725	(20,393)
Other Purposes	109,600	163,942	(54,342)
Unrestricted (Deficit)	(576,036)	(1,660,637)	1,084,601
<i>Total Net Position</i>	<u>\$9,671,575</u>	<u>\$8,805,802</u>	<u>\$865,773</u>

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Total current and other assets increased due an increase in property taxes receivable as a full year of emergency levy collections is set to resume going forward offset by a decrease in cash due primarily to the pay down of a large intergovernmental payable due to the Ohio Facilities Construction Commission. Net capital assets decreased as annual depreciation exceeded current year additions of land, construction in progress, buildings and improvements and equipment and furniture. Current liabilities decreased primarily from the aforementioned pay down of the outstanding intergovernmental payable due to the Ohio Facilities Construction Commission. Net position increased due primarily to changes in net pension liability and net OPEB (asset) liability and the deferred outflows and deferred inflows of resources associated with these liabilities and decreases in intergovernmental liabilities.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

**Table 2**  
Change in Net Position  
Governmental Activities

	2019	2018	Change
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,630,018	\$1,533,830	\$96,188
Operating Grants, Contributions and Interest	924,716	921,117	3,599
Capital Grants	10,976	11,240	(264)
<i>Total Program Revenues</i>	<u>2,565,710</u>	<u>2,466,187</u>	<u>99,523</u>
<b>General Revenues</b>			
Property Taxes	1,532,697	1,478,914	53,783
Grants and Entitlements	5,294,881	5,333,904	(39,023)
Investment Earnings	190,051	120,462	69,589
Miscellaneous	14,541	1,901	12,640
<i>Total General Revenues</i>	<u>7,032,170</u>	<u>6,935,181</u>	<u>96,989</u>
<i>Total Revenues</i>	<u>9,597,880</u>	<u>9,401,368</u>	<u>196,512</u>
<b>Program Expenses</b>			
Instruction:			
Regular	4,466,362	1,981,597	(2,484,765)
Special	1,228,899	969,399	(259,500)
Vocational	63,837	14,569	(49,268)
Support Services			
Pupils	285,101	102,733	(182,368)
Instructional Staff	10,267	10,107	(160)
Board of Education	73,398	67,651	(5,747)
Administration	676,521	367,282	(309,239)
Fiscal	235,400	188,000	(47,400)
Operation and Maintenance of Plant	939,724	880,066	(59,658)
Pupil Transportation	180,215	143,158	(37,057)
Central	39,545	33,212	(6,333)
Operation of Non-Instructional Services	2,249	15,555	13,306
Operation of Food Service	162,481	130,978	(31,503)
Extracurricular Activities	327,162	288,871	(38,291)
Interest and Fiscal Charges	40,946	57,768	16,822
<i>Total Program Expenses</i>	<u>8,732,107</u>	<u>5,250,946</u>	<u>(3,481,161)</u>
<i>Change in Net Position</i>	865,773	4,150,422	(3,284,649)
Net Position Beginning of Year	<u>8,805,802</u>	<u>4,655,380</u>	<u>4,150,422</u>
Net Position End of Year	<u><u>\$9,671,575</u></u>	<u><u>\$8,805,802</u></u>	<u><u>\$865,773</u></u>

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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**Analysis of overall financial position and results of operations**

Revenue is divided into two major components: program revenues and general revenues. Program revenues are defined as fees, restricted grants and charges for services that are program specific. General revenues include taxes and unrestricted grants such as State Foundation support.

Program revenues for governmental activities in fiscal year 2019 had minimal changes from the prior fiscal year. General revenues also had minimal changes from the prior fiscal year.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. 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 less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid. Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from \$987,969 in fiscal year 2017 to a negative pension expense of \$2,865,767 for fiscal year 2018. For fiscal year 2019, pension expense increased to \$1,020,929 closer to the 2017 pension expense amount.

Program expenses excluding amounts related to the net pension and net OPEB liabilities actually increased due to changes in wages from step increases and the base in fiscal year 2019.

In Table 3 below, the total cost of services column contains all costs related to the programs and the net cost of services column shows how much of the total amount is not covered by program revenues. The net costs are program costs that must be covered by unrestricted State aid (State Foundation) or local taxes.

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

**Table 3**  
 Total and Net Cost of Program Services  
 Governmental Activities

	2019		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$4,466,362	\$3,282,618	\$1,981,597	\$898,991
Special	1,228,899	282,115	969,399	(42,334)
Vocational	63,837	35,962	14,569	(7,805)
Support Services:				
Pupils	285,101	285,101	102,733	89,841
Instructional Staff	10,267	10,267	10,107	10,107
Board of Education	73,398	73,398	67,651	67,651
Administration	676,521	600,639	367,282	322,799
Fiscal	235,400	235,400	188,000	188,000
Operation and Maintenance of Plant	939,724	857,615	880,066	812,678
Pupil Transportation	180,215	180,215	143,158	143,158
Central	39,545	35,945	33,212	29,612
Operation of Non-Instructional Services	2,249	2,249	15,555	15,555
Operation of Food Service	162,481	25,430	130,978	4,913
Extracurricular Activities	327,162	218,497	288,871	193,825
Interest and Fiscal Charges	40,946	40,946	57,768	57,768
Total	<u>\$8,732,107</u>	<u>\$6,166,397</u>	<u>\$5,250,946</u>	<u>\$2,784,759</u>

The School District's dependence upon general revenues for governmental activities is apparent from Table 3. The majority of expenses are supported through taxes and other general revenues.

**Financial Analysis of the Government's Funds**

**Governmental Funds** Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. The general fund had an increase in fund balance due primarily to increased property tax collections from the reinstatement of the emergency levy and interest revenues outpacing greater expenditures for instructional and support services as wages saw increases in fiscal year 2019. The district replacement capital projects fund had a decrease in fund balance due to the School District's increased spending on the replacement of obsolete items during the current fiscal year. Overall, the School District's revenues continue to outpace expenditures through careful budget restraints set in place by the School District.

**General Fund Budgeting Highlights**

The School 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 fund to be budgeted is the main operating fund of the School District, the general fund. During the course of fiscal year 2019, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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For the general fund, the final budget basis revenue estimate was greater than the original budget estimate. The change was mainly attributed to an increase in tuition and fees revenues as a better picture of actual receipts became apparent.

The final budget appropriations were higher than the original budget appropriations of the general fund. The change was attributed to increases in estimates for support services as current School District needs for the fiscal year became apparent as well as an increase in intergovernmental expense due to the pay down of the outstanding intergovernmental payable due to the Ohio Facilities Construction Commission.

**Capital Assets and Debt**

*Capital Assets*

For fiscal year 2019, the decrease in capital assets was due to an additional year of depreciation being offset by capital asset additions which consisted of land, construction in progress, buildings and improvements and equipment and furniture. The land acquisition and construction in progress involve the ongoing athletic complex project. Buildings and improvements additions include stage rigging, security upgrades and boiler and masonry repairs. For more information about the School District's capital assets, see Note 7 to the basic financial statements.

*Debt*

For fiscal year 2019, the School District's debt obligations consisted of the 2006 School Improvement Bonds maturing in fiscal year 2023 and capital leases maturing in fiscal year 2021. See Notes 11 and 12 to the basic financial statements for additional information on the School District's long-term obligations and leases.

**School District Outlook**

The School District is committed to the pursuit of academic excellence, to inspire productive citizenship, and to empower lifelong learning for every student. With this comes the need to remain financially responsible; however, the financial future of the School District is not without challenges. The School District faces uncertainty related to potential expenditure increases in healthcare costs, constant required maintenance of the bus fleet, as well as uncertainty in the long-term future of state funding. The majority of the operating revenue that is received by the district is from state funding. State foundation is set as part of the State's biennial budget, which currently goes through fiscal year 2020 and fiscal year 2021.

The School District remains dedicated to fiscal responsibility and is committed to maintaining focus on education while providing value and accountability for tax dollars spent. The Board of Education and Administration closely monitor revenue and expenditures in accordance with the financial forecast and work diligently to ensure tax dollars are being used efficiently and effectively. But above all, the Board of Education and administration continue to carefully plan in order to provide the resources and education required to meet student needs.

**McDonald Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*  
*Unaudited*

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Megan Titus, Treasurer, at McDonald Local School District, 600 Iowa Avenue, McDonald, Ohio 44437-1699.

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McDonald Local School District

Statement of Net Position

June 30, 2019

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,416,846
Accounts Receivable	1,855
Intergovernmental Receivable	46,605
Prepaid Items	14,836
Inventory Held for Resale	1,407
Property Taxes Receivable	1,953,421
Net OPEB Asset (See Note 17)	542,369
Nondepreciable Capital Assets	667,288
Depreciable Capital Assets, Net	9,561,996
<i>Total Assets</i>	<u>21,206,623</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	19,112
Pension	2,827,425
OPEB	215,098
<i>Total Deferred Outflows of Resources</i>	<u>3,061,635</u>
<b>Liabilities</b>	
Accounts Payable	11,657
Contracts Payable	24,932
Accrued Wages and Benefits	711,134
Intergovernmental Payable	163,977
Matured Compensated Absences Payable	25,933
Accrued Interest Payable	1,486
Long-Term Liabilities:	
Due Within One Year	185,669
Due In More Than One Year	
Net Pension Liability (See Note 16)	8,771,499
Net OPEB Liability (See Note 17)	658,298
Other Amounts	801,248
<i>Total Liabilities</i>	<u>11,355,833</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	1,776,327
Pension	571,811
OPEB	892,712
<i>Total Deferred Outflows of Resources</i>	<u>3,240,850</u>
<b>Net Position</b>	
Net Investment in Capital Assets	9,759,179
Restricted for:	
Capital Projects	260,692
Debt Service	116,808
Unclaimed Monies	1,332
Other Purposes	109,600
Unrestricted (Deficit)	(576,036)
<i>Total Net Position</i>	<u>\$9,671,575</u>

See accompanying notes to the basic financial statements

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

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants Contributions and Interest		
<b>Governmental Activities</b>					
Instruction:					
Regular	\$4,466,362	\$1,122,983	\$60,761	\$0	(\$3,282,618)
Special	1,228,899	247,823	698,961	0	(282,115)
Vocational	63,837	19,394	8,481	0	(35,962)
Support Services:					
Pupils	285,101	0	0	0	(285,101)
Instructional Staff	10,267	0	0	0	(10,267)
Board of Education	73,398	0	0	0	(73,398)
Administration	676,521	75,882	0	0	(600,639)
Fiscal	235,400	0	0	0	(235,400)
Operation and Maintenance of Plant	939,724	16,825	54,308	10,976	(857,615)
Pupil Transportation	180,215	0	0	0	(180,215)
Central	39,545	0	3,600	0	(35,945)
Operation of Non-Instructional Services	2,249	0	0	0	(2,249)
Operation of Food Service	162,481	38,946	98,105	0	(25,430)
Extracurricular Activities	327,162	108,165	500	0	(218,497)
Interest and Fiscal Charges	40,946	0	0	0	(40,946)
<i>Totals</i>	<u>\$8,732,107</u>	<u>\$1,630,018</u>	<u>\$924,716</u>	<u>\$10,976</u>	<u>(6,166,397)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					1,206,787
					124,639
					183,227
					18,044
Grants and Entitlements not Restricted to Specific Programs					
					5,294,881
					190,051
					<u>14,541</u>
					<u>7,032,170</u>
					865,773
					<u>8,805,802</u>
					<u>\$9,671,575</u>

See accompanying notes to the basic financial statements

**McDonald Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2019*

	<u>General</u>	<u>District Replacement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,158,404	\$2,798,317	\$458,793	\$8,415,514
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	1,332	0	0	1,332
Accounts Receivable	1,855	0	0	1,855
Intergovernmental Receivable	46,605	0	0	46,605
Inventory Held for Resale	0	0	1,407	1,407
Property Taxes Receivable	1,550,976	0	402,445	1,953,421
Prepaid Items	14,626	0	210	14,836
<i>Total Assets</i>	<u>\$6,773,798</u>	<u>\$2,798,317</u>	<u>\$862,855</u>	<u>\$10,434,970</u>
<b>Liabilities</b>				
Accounts Payable	\$10,150	\$0	\$1,507	\$11,657
Contracts Payable	3,500	20,105	1,327	24,932
Accrued Wages and Benefits	677,873	0	33,261	711,134
Matured Compensated Absences Payable	25,933	0	0	25,933
Intergovernmental Payable	161,666	0	2,311	163,977
<i>Total Liabilities</i>	<u>879,122</u>	<u>20,105</u>	<u>38,406</u>	<u>937,633</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,410,315	0	366,012	1,776,327
Unavailable Revenue	181,504	0	35,177	216,681
<i>Total Deferred Inflows of Resources</i>	<u>1,591,819</u>	<u>0</u>	<u>401,189</u>	<u>1,993,008</u>
<b>Fund Balances</b>				
Nonspendable	15,958	0	210	16,168
Restricted	0	0	453,409	453,409
Committed	0	2,778,212	0	2,778,212
Assigned	28,604	0	0	28,604
Unassigned (Deficit)	4,258,295	0	(30,359)	4,227,936
<i>Total Fund Balances</i>	<u>4,302,857</u>	<u>2,778,212</u>	<u>423,260</u>	<u>7,504,329</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$6,773,798</u>	<u>\$2,798,317</u>	<u>\$862,855</u>	<u>\$10,434,970</u>

See accompanying notes to the basic financial statements

**McDonald Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2019*

<b>Total Governmental Fund Balances</b>	<b>\$7,504,329</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,229,284
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Delinquent Property Taxes	170,989
Tuition and Fees	11,132
Regular Instruction	29,603
Special Instruction	<u>4,957</u>
Total	216,681
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,486)
The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	
Net OPEB Asset	542,369
Deferred Outflows - Pension	2,827,425
Deferred Outflows - OPEB	215,098
Net Pension Liability	(8,771,499)
Net OPEB Liability	(658,298)
Deferred Inflows - Pension	(571,811)
Deferred Inflows - OPEB	<u>(892,712)</u>
Total	(7,309,428)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(595,721)
Capital Leases	(21,280)
Compensated Absences	(369,916)
Deferred Charge on Refunding	<u>19,112</u>
Total	<u>(967,805)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$9,671,575</u></u>

See accompanying notes to the basic financial statements

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

	General	District Replacement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,222,220	\$0	\$336,111	\$1,558,331
Intergovernmental	5,674,818	0	532,895	6,207,713
Interest	190,051	0	133	190,184
Tuition and Fees	1,379,068	0	0	1,379,068
Extracurricular Activities	75,882	0	88,884	164,766
Contributions and Donations	0	0	25,429	25,429
Charges for Services	19,281	0	38,946	58,227
Rentals	16,825	0	0	16,825
Miscellaneous	14,009	0	532	14,541
<i>Total Revenues</i>	<u>8,592,154</u>	<u>0</u>	<u>1,022,930</u>	<u>9,615,084</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,466,093	0	62,743	4,528,836
Special	1,044,064	0	301,424	1,345,488
Vocational	77,414	0	0	77,414
Support Services:				
Pupils	294,802	0	23,900	318,702
Instructional Staff	10,267	0	0	10,267
Board of Education	73,398	0	0	73,398
Administration	713,417	0	623	714,040
Fiscal	220,361	0	2,706	223,067
Operation and Maintenance of Plant	767,372	0	93,864	861,236
Pupil Transportation	144,674	0	0	144,674
Central	35,895	0	3,650	39,545
Operation of Non-Instructional Services	0	0	2,249	2,249
Operation of Food Service	0	0	155,099	155,099
Extracurricular Activities	186,523	0	139,306	325,829
Capital Outlay	0	353,901	236,743	590,644
Debt Service:				
Principal Retirement	10,195	0	28,176	38,371
Interest and Fiscal Charges	1,568	0	17,835	19,403
Capital Appreciation Bond Accretion	0	0	111,824	111,824
<i>Total Expenditures</i>	<u>8,046,043</u>	<u>353,901</u>	<u>1,180,142</u>	<u>9,580,086</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>546,111</u>	<u>(353,901)</u>	<u>(157,212)</u>	<u>34,998</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	180,000	49,480	229,480
Transfers Out	(229,480)	0	0	(229,480)
<i>Total Other Financing Sources (Uses)</i>	<u>(229,480)</u>	<u>180,000</u>	<u>49,480</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	316,631	(173,901)	(107,732)	34,998
<i>Fund Balances Beginning of Year</i>	<u>3,986,226</u>	<u>2,952,113</u>	<u>530,992</u>	<u>7,469,331</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,302,857</u></u>	<u><u>\$2,778,212</u></u>	<u><u>\$423,260</u></u>	<u><u>\$7,504,329</u></u>

See accompanying notes to the basic financial statements

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

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**Net Change in Fund Balances - Total Governmental Funds** \$34,998

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	599,398	
Current Year Depreciation	<u>(718,070)</u>	
Total		(118,672)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (2,520)

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

Delinquent Property Taxes	(25,634)	
Intergovernmental	(2,702)	
Tuition and Fees	11,132	
Regular Instruction	29,603	
Special Instruction	<u>4,957</u>	
Total		17,356

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Retirement	38,371	
Capital Appreciation Bond Accretion	<u>111,824</u>	
Total		150,195

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.

Amortization of Accretion	(24,565)	
Amortization of Premium	8,615	
Amortization of Accounting Loss	<u>(5,593)</u>	
Total		(21,543)

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

Pension	669,682	
OPEB	<u>18,502</u>	
Total		688,184

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

Pension	(1,020,929)	
OPEB	<u>1,118,544</u>	
Total		97,615

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 20,160

*Change in Net Position of Governmental Activities* \$865,773

See accompanying notes to the basic financial statements

**McDonald Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,206,379	\$1,219,525	\$1,219,525	\$0
Intergovernmental	5,579,639	5,670,969	5,670,969	0
Interest	135,900	190,051	190,051	0
Tuition and Fees	1,176,754	1,382,118	1,382,118	0
Charges for Services	3,000	19,281	19,281	0
Rentals	18,500	16,825	16,825	0
Miscellaneous	0	12,154	12,154	0
<i>Total Revenues</i>	8,120,172	8,510,923	8,510,923	0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,563,639	4,407,357	4,407,357	0
Special	1,175,754	1,044,638	1,044,638	0
Vocational	75,356	76,911	76,911	0
Support Services:				
Pupils	280,044	295,229	295,229	0
Instructional Staff	10,605	10,266	10,266	0
Board of Education	79,835	80,623	80,623	0
Administration	662,788	659,996	659,996	0
Fiscal	211,141	222,215	222,215	0
Operation and Maintenance of Plant	782,500	775,765	775,765	0
Pupil Transportation	138,380	145,267	145,267	0
Central	30,911	35,894	35,894	0
Extracurricular Activities	191,998	186,520	186,520	0
Intergovernmental	0	533,108	533,108	0
<i>Total Expenditures</i>	8,202,951	8,473,789	8,473,789	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(82,779)	37,134	37,134	0
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(201,000)	(229,480)	(229,480)	0
<i>Net Change in Fund Balance</i>	(283,779)	(192,346)	(192,346)	0
<i>Fund Balance Beginning of Year</i>	5,310,463	5,310,463	5,310,463	0
Prior Year Encumbrances Appropriated	11,879	11,879	11,879	0
<i>Fund Balance End of Year</i>	\$5,038,563	\$5,129,996	\$5,129,996	\$0

See accompanying notes to the basic financial statements

**McDonald Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2019*

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u>\$43,577</u>
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**Liabilities**

Due to Students	<u>\$43,577</u>
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See accompanying notes to the basic financial statements

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

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**Note 1 - Description of the School District and Reporting Entity**

McDonald Local School District (the School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio to provide educational services to students and other community members of the School District. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 3 square miles in Trumbull County, including the Village of McDonald and a portion of Weathersfield Township. The School District operates one elementary school and one comprehensive middle/high school. It is staffed by 52 certified and 17 classified personnel to provide services to 833 students and other community members.

***Reporting Entity***

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

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

The School District participates in two jointly governed organizations and one shared risk pool. The organizations are the Northeast Ohio Management Information Network, the Trumbull Career and Technical Center and the Trumbull County Schools Employee Insurance Benefit Consortium. These organizations are presented in Notes 13 and 14 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School 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 School District.

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

**Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. In reporting its financial activities, the School District uses two categories of funds: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets 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 following are the School District's major governmental funds:

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

**District Replacement Fund** The district replacement fund is used to account for and report the monies transferred from the general fund committed to replace items that have become obsolete and require replacement.

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

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

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***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

***Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement presented for the fiduciary fund 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 inflows/outflows of resources, 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School 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 in which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

***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 represent 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 School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension and OPEB plans. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 16 and 17.

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 until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 16 and 17)

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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

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

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend

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

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resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue matched actual revenue for the fiscal year.

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

***Cash and Cash Equivalents***

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$190,051, which includes \$73,463 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

During fiscal year 2019, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include unspent resources restricted for unclaimed monies.

***Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Building and Improvements	20 - 50 years
Equipment and Furniture	5 - 20 years
Vehicles	8 years

***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 employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees at least 50 years of age with 10 years of service and all employees at any age with 20 years of service.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee who has accumulated unpaid leave is paid.

***Accrued Liabilities and Long-term Obligations***

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

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

***Fund Balance***

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

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

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

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

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

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**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for administrative purposes.

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

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

***Net Position***

Net position represents the difference between all other elements in a statement of financial position. 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service and extracurricular activities.

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

***Deferred Charge on Refunding***

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

***Bond Premiums***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued. Under Ohio law, premiums on the initial issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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

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***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 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the public school support special revenue funds are classified to the general fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

Net Change in Fund Balance	
GAAP Basis	\$316,631
Revenue Accruals	(5,349)
Expenditure Accruals	(487,910)
Perspective Difference:	
Public School Support	(12,517)
Encumbrances	(3,201)
Budget Basis	<u><u>(\$192,346)</u></u>

**Note 4 – Fund Balances**

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

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

Fund Balances	General	District Replacement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$14,626	\$0	\$0	\$14,626
Unclaimed Monies	1,332	0	210	1,542
<i>Total Nonspendable</i>	<u>15,958</u>	<u>0</u>	<u>210</u>	<u>16,168</u>
<b><i>Restricted for</i></b>				
Scholarships	0	0	55,126	55,126
Athletics	0	0	10,676	10,676
Classroom Facilities Maintenance	0	0	37,405	37,405
Instructional Services	0	0	4,458	4,458
Technology Improvements	0	0	92	92
Debt Service Payments	0	0	105,363	105,363
Capital Improvements	0	0	240,289	240,289
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>453,409</u>	<u>453,409</u>
<b><i>Committed to</i></b>				
Capital Projects	0	2,778,212	0	2,778,212
<b><i>Assigned to</i></b>				
Purchases on Order				
Operation and Maintenance of Plant	2,065	0	0	2,065
Administrative	26,539	0	0	26,539
<i>Total Assigned</i>	<u>28,604</u>	<u>0</u>	<u>0</u>	<u>28,604</u>
<b><i>Unassigned (Deficit)</i></b>	<u>4,258,295</u>	<u>0</u>	<u>(30,359)</u>	<u>4,227,936</u>
<b><i>Total Fund Balances</i></b>	<u><u>\$4,302,857</u></u>	<u><u>\$2,778,212</u></u>	<u><u>\$423,260</u></u>	<u><u>\$7,504,329</u></u>

**Note 5 - Deposits and Investments**

Monies held by the School District are classified into three categories: active deposits, inactive deposits and interim deposits.

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

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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 daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (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); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

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

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***Investments***

As of June 30, 2019, the School District had STAR Ohio as an investment. STAR Ohio is being held with an amount of \$5,522,479 which is insured at net asset value per share. The average maturity is 53.3 days.

**Note 6 – Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenues received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property are established by State law at thirty-five percent of appraised market value. Real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 become a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2019 was \$4,849 in the general fund, \$66 in the classroom facilities special revenue fund, \$728 in the permanent improvement capital projects fund and \$462 in the bond retirement debt service fund. The amount available as an advance at June 30, 2018 was \$2,154 in the general fund, \$41 in the classroom facilities special revenue fund, \$332 in the permanent improvement capital projects fund and \$273 in the bond retirement debt service fund.

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

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

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$50,814,060	96.73%	\$50,844,000	96.63%
Public Utility Personal	1,716,990	3.27	1,774,610	3.37
<b>Total</b>	<b>\$52,531,050</b>	<b>100.00%</b>	<b>\$52,618,610</b>	<b>100.00%</b>
Full Tax Rate per \$1,000 of assessed valuation	\$48.45		\$58.70	

**Note 7 – Capital Assets**

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<b>Nondepreciable Capital Assets</b>				
Land	\$311,600	\$316,273	\$0	\$627,873
Construction in Progress	36,281	289,899	(286,765)	39,415
<i>Total Nondepreciable Capital Assets</i>	<u>347,881</u>	<u>606,172</u>	<u>(286,765)</u>	<u>667,288</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	865,434	0	0	865,434
Buildings and Improvements	20,205,487	149,533	0	20,355,020
Equipment and Furniture	578,206	130,458	(5,929)	702,735
Vehicles	305,174	0	0	305,174
<i>Total at Historical Cost</i>	<u>21,954,301</u>	<u>279,991</u>	<u>(5,929)</u>	<u>22,228,363</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	(435,845)	(42,303)	0	(478,148)
Buildings and Improvements	(10,961,850)	(603,812)	0	(11,565,662)
Equipment and Furniture	(351,819)	(42,622)	3,409	(391,032)
Vehicles	(202,192)	(29,333)	0	(231,525)
<i>Total Accumulated Depreciation</i>	<u>(11,951,706)</u>	<u>(718,070) *</u>	<u>3,409</u>	<u>(12,666,367)</u>
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	<u>10,002,595</u>	<u>(438,079)</u>	<u>(2,520)</u>	<u>9,561,996</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$10,350,476</u>	<u>\$168,093</u>	<u>(\$289,285)</u>	<u>\$10,229,284</u>

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

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\* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$622,368
Support Services	
Administration	12,265
Operation and Maintenance of Plant	50,459
Pupil Transportation	29,333
Operation of Food Service	2,312
Extracurricular Activities	1,333
Total Depreciation Expense	<u><u>\$718,070</u></u>

**Note 8 - Receivables**

Receivables at June 30, 2019, consisted of taxes and intergovernmental monies. 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. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

The general fund had foundation adjustments, a Bureau of Workers' Compensation refund and a Trumbull County Educational Service Center refund receivable in the amounts of \$12,045, \$29,603 and \$4,957, respectively.

**Note 9 – Accountability**

At June 30, 2019, the food services, title I and reducing class size special revenue funds had deficit fund balances of \$6,921, \$18,777 and \$4,451, respectively. These fund deficits resulted from adjustments for accrued liabilities. The general fund is liable for any fund deficits and provides transfers when cash is required, rather than when accruals occur.

**Note 10 - Interfund Transfers**

The general fund transferred \$49,000 to the district managed student activity special revenue fund to help fund athletic events. The general fund transferred \$480 to the title I special revenue fund to help with instructional purchases. The general fund made a transfer of \$180,000 to the district replacement capital projects fund to help with capital purchases.

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

**Note 11 – Long-Term Obligations**

Original issue amounts and interest rates of the School District’s debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2006 School Improvement Bonds:			
Capital Appreciation Bonds	4.60% to 4.70%	\$84,997	2020
Current Issue Term Bonds	3.70% to 4.10%	580,000	2023

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

	Principal Outstanding June 30, 2018	Additions	Deductions	Principal Outstanding June 30, 2019	Amount Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
2006 School Improvement Bonds					
Capital Appreciation Bonds	\$52,952	\$0	(\$28,176)	\$24,776	\$24,776
Accretion	193,763	24,565	(111,824)	106,504	106,504
Current Interest Term Bonds	435,000	0	0	435,000	0
Premium on Bonds	38,056	0	(8,615)	29,441	0
<i>Total General Obligation Bonds</i>	<u>719,771</u>	<u>24,565</u>	<u>(148,615)</u>	<u>595,721</u>	<u>131,280</u>
<b>Other Long-term Obligations</b>					
Net Pension Liability					
STRS	7,656,666	0	(235,255)	7,421,411	0
SERS	1,367,489	0	(17,401)	1,350,088	0
<i>Total Net Pension Liability</i>	<u>9,024,155</u>	<u>0</u>	<u>(252,656)</u>	<u>8,771,499</u>	<u>0</u>
Net OPEB Liability					
STRS	1,257,555	0	(1,257,555)	0	0
SERS	619,459	38,839	0	658,298	0
<i>Total Net OPEB Liability</i>	<u>1,877,014</u>	<u>38,839</u>	<u>(1,257,555)</u>	<u>658,298</u>	<u>0</u>
Capital Leases	31,475	0	(10,195)	21,280	10,806
Compensated Absences	390,076	176,320	(196,480)	369,916	43,583
<i>Total Other Long-term Obligations</i>	<u>11,322,720</u>	<u>215,159</u>	<u>(1,716,886)</u>	<u>9,820,993</u>	<u>54,389</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$12,042,491</u>	<u>\$239,724</u>	<u>(\$1,865,501)</u>	<u>\$10,416,714</u>	<u>\$185,669</u>

In 2006, the School District issued \$1,289,997 in school improvement general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$625,000, \$580,000 and \$84,997, respectively. The general obligation bonds were issued for the purpose of refunding a portion of the 2001 school improvement bonds to take advantage of lower interest rates. The bonds were issued for a 16 year period with a final maturity at December 1, 2022. The serial bonds were retired in fiscal year 2017. The remaining bonds will be retired from the debt service fund.

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

The term and capital appreciation bonds remained outstanding at June 30, 2019. The capital appreciation bonds were originally sold at a discount of \$335,003, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2018 through 2020.

The maturity amount of outstanding capital appreciation bonds at June 30, 2019 is \$140,000. The accretion recorded for 2019 was \$24,565, for a total outstanding bond liability of \$131,280 at June 30, 2019.

The term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue
	\$435,000
2020	\$140,000
2021	145,000
<hr/>	
Total Mandatory Sinking Fund Payments	285,000
Amount Due at Stated Maturity	150,000
Total	\$435,000
<i>Stated Maturity</i>	<i>12/1/2022</i>

The capital lease will be paid out of the general fund. Compensated absences will be paid from the general fund and the food service special revenue fund. There are no repayment schedules for the net pension liability and net OPEB liability. However, employer pension and OPEB contributions are made from the following funds: the general fund and the food service special revenue fund. For additional information related to the net pension and net OPEB liabilities see Notes 16 and 17.

The overall debt margin of the School District as of June 30, 2019, was \$4,381,262 with an unvoted debt margin of \$52,619. Principal and interest requirements to retire general obligation bonds and capital appreciation outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			
	Capital Appreciation		Term	
	Principal	Accretion	Principal	Interest
2020	\$24,776	\$115,224	\$0	\$17,835
2021	0	0	140,000	14,965
2022	0	0	145,000	9,123
2023	0	0	150,000	3,075
Total	\$24,776	\$115,224	\$435,000	\$44,998

**Note 12 – Capital Leases**

The School District has an existing lease for copier equipment. The lease obligation meets the criteria of a capital lease. The original amounts capitalized for the capital leases and the book value as of June 30, 2019 follows:

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

	<b>Amount</b>
Furniture and Equipment	\$50,899
Less: Accumulated Depreciation	(40,719)
Current Book Value	\$10,180

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, 2019.

Fiscal Year Ending June 30,	Governmental Activities
2019	\$11,763
2021	10,782
Total Minimum Lease Payments	22,545
Less: Amount Representing Interest	(1,265)
Present Value of Net Minimum Lease Payments	\$21,280

**Note 13 - Jointly Governed Organizations**

***Northeast Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. McDonald Local School District paid \$38,801 to NEOMIN during fiscal year 2019.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts and the fiscal agent (or NEOMIN). The McDonald Local School District was not represented on the Governing Board during fiscal year 2019. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

***Trumbull Career and Technical Center*** The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull Career and Technical Center, Cody Holecko, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

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

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**Note 14 – Shared Risk Pool**

***Trumbull County Schools Employee Insurance Benefit Consortium*** The School District participates in the Trumbull County Schools Employee Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**Note 15 - Risk Management**

***Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District maintains comprehensive commercial insurance coverage through Ohio School Plan for real property, building contents, vehicles, and boilers.

Vehicle policies include liability coverage for bodily injury and property damage. The liability limits are \$1,000,000 for each accident and uninsured motorist of \$1,000,000 for each accident with a collision deductible of \$1,000 and a comprehensive deductible of \$1,000.

Real property and contents are fully insured. Limits of insurance on real property and equipment are \$40,947,897 with a deductible of \$1,000.

The School District has earthquake and flood insurance policies. Limits on these policies are \$1,000,000 with a deductible of \$25,000.

The School District liability policy has a limit of \$1,000,000 for each occurrence and \$3,000,000 aggregate.

***Trumbull County Schools Employee Insurance Benefit Consortium***

The School District has contracted with the Trumbull County Schools Employee Insurance Benefit Consortium to provide employee medical/surgical, dental, and prescription drug benefits. The Trumbull County Schools Employee Insurance Benefit Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The McDonald Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Medical Mutual is the third party administrator for the Consortium. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. Employees can choose between four different medical/surgical/prescription plans. The medical/surgical/prescription drug premiums for the first option are \$1,734 for family coverage and \$667 for single coverage per employee per month. Classified staff pays 10 percent of this premium and certified staff pays 10 percent of this premium. The School District pays the remaining percentage. The medical/surgical/prescription drug premiums for the second option are \$1,557 for family coverage and \$598 for single coverage per employee per month. Both classified and certified staff pays 10 percent of this premium and the remaining percentage is paid by the School District. The third and fourth options are high deductible plans where the Board pays \$1,380 or \$1,289 for family coverage and \$530 or \$495 for single coverage, respectively. No employees have selected the third or fourth options. If the School District were to withdraw from the Consortium, there would be no liability because premium levels fund a reserve for subsequent claim payments.

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

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

***Worker's Compensation***

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll times the contribution rate established by Worker's Compensation for the School District. This rate is calculated based on accident history and administrative costs.

**Note 16 - Defined Benefit Pension Plans**

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

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

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

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

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

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

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

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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.

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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 School District’s contractually required contribution to SERS was \$106,113 for fiscal year 2019. Of this amount \$6,324 is reported as an intergovernmental payable.

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

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

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 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.

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

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 School District's contractually required contribution to STRS was \$563,569 for fiscal year 2019. Of this amount \$93,626 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02288770%	0.03223152%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.02357330%	0.03375248%	
Change in Proportionate Share	0.00068560%	0.00152096%	
Proportionate Share of the Net			
Pension Liability	\$1,350,088	\$7,421,411	\$8,771,499
Pension Expense	\$168,865	\$852,064	\$1,020,929

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

**McDonald 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$74,044	\$171,309	\$245,353
Changes of assumptions	30,488	1,315,214	1,345,702
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	74,379	492,309	566,688
School District contributions subsequent to the measurement date	<u>106,113</u>	<u>563,569</u>	<u>669,682</u>
Total Deferred Outflows of Resources	<u>\$285,024</u>	<u>\$2,542,401</u>	<u>\$2,827,425</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$48,467	\$48,467
Net difference between projected and actual earnings on pension plan investments	37,407	450,027	487,434
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>693</u>	<u>35,217</u>	<u>35,910</u>
Total Deferred Inflows of Resources	<u>\$38,100</u>	<u>\$533,711</u>	<u>\$571,811</u>

\$669,682 reported as deferred outflows of resources related to pension resulting from School District 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$155,858	\$775,658	\$931,516
2021	40,732	532,656	573,388
2022	(44,306)	178,075	133,769
2023	<u>(11,473)</u>	<u>(41,268)</u>	<u>(52,741)</u>
Total	<u>\$140,811</u>	<u>\$1,445,121</u>	<u>\$1,585,932</u>

**Actuarial Assumptions - SERS**

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

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

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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 pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

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

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.

**McDonald 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	<u>100.00 %</u>	

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

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the 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%)
School District's proportionate share of the net pension liability	\$1,901,699	\$1,350,088	\$887,597

**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:

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

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

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

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

\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and 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 rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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 payment to determine the total pension liability as of June 30, 2018.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$10,837,996	\$7,421,411	\$4,529,738

**Note 17 - Defined Benefit OPEB Plans**

See note 16 for a description of the net OPEB liability (asset).

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

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 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 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 School District's surcharge obligation was \$14,572.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$18,502 for fiscal year 2019. Of this amount \$14,806 is reported as an intergovernmental payable.

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

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

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) was measured as of June 30, 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 School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.02308200%	0.03223152%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.02372870%</u>	<u>0.03375248%</u>	
Change in Proportionate Share	<u><u>0.00064670%</u></u>	<u><u>0.00152096%</u></u>	
Proportionate Share of the:			
Net OPEB Liability	\$658,298	\$0	\$658,298
Net OPEB (Asset)	\$0	(\$542,369)	(\$542,369)
OPEB Expense	\$38,548	(\$1,157,092)	(\$1,118,544)

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

**McDonald 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>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$10,746	\$63,349	\$74,095
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	17,014	105,487	122,501
School District contributions subsequent to the measurement date	18,502	0	18,502
Total Deferred Outflows of Resources	<u>\$46,262</u>	<u>\$168,836</u>	<u>\$215,098</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$0	\$31,600	\$31,600
Changes of assumptions	59,144	739,019	798,163
Net difference between projected and actual earnings on OPEB plan investments	988	61,961	62,949
Total Deferred Inflows of Resources	<u>\$60,132</u>	<u>\$832,580</u>	<u>\$892,712</u>

\$18,502 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability 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 Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2020	(\$18,060)	(\$118,432)	(\$136,492)
2021	(13,825)	(118,432)	(132,257)
2022	(412)	(118,432)	(118,844)
2023	9	(104,360)	(104,351)
2024	(60)	(99,422)	(99,482)
Thereafter	<u>(24)</u>	<u>(104,666)</u>	<u>(104,690)</u>
Total	<u>(\$32,372)</u>	<u>(\$663,744)</u>	<u>(\$696,116)</u>

**Actuarial Assumptions - SERS**

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

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

**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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the 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%) and higher (4.70%) than the current discount rate (3.70%). 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% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$798,793	\$658,298	\$547,053
	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%)
School District's proportionate share of the net OPEB liability	\$531,126	\$658,298	\$826,697

**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:

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

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

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

Since the Prior Measurement Date, the discount rate was increased from 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.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 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.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

**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.

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

***Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate*** The following table represents the net OPEB 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%)
School District's proportionate share of the net OPEB asset	(\$464,860)	(\$542,369)	(\$607,510)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$603,832)	(\$542,369)	(\$479,946)

**Note 18 - Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers and most administrators do not earn vacation. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Certificated employees with ten years or more of service upon separation receive payment for twenty-five percent of the total sick leave accumulation, up to a maximum of 80 days. Classified employees with ten years or more of service upon retirement receive payment for twenty-five percent of the total sick leave accumulation.

***Life Insurance Benefits***

The School District provides life insurance to most employees through Voya Financial, in the amount of \$50,000 for all employees. Premiums are paid for by the Board of Education.

**Note 19 – Contingencies**

***Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

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

***School Foundation***

School 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 School District.

***Litigation***

The School District is not party to legal proceedings as of June 30, 2019.

**Note 20 - Set Asides**

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	147,202
Offsets	(157,835)
Qualifying Disbursements	(2,483)
<b>Total</b>	<b>(\$13,116)</b>
Set-aside Balance Carried Forward to Future Fiscal Years	\$0
Set-aside Balance as of June 30, 2019	\$0

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

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

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**Note 21 - Encumbrances**

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

<b>Governmental Funds</b>	
General	\$3,201
Other Governmental Funds	<u>2,206</u>
<i>Total Governmental Funds</i>	<u><u>\$5,407</u></u>

**Note 22 – Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*,

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves 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. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District’s 2019 financial statements; however, there was no effect on beginning net position.

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

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## Required Supplementary Information

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.02357330%	0.02288770%	0.02223310%
School District's Proportionate Share of the Net Pension Liability	\$1,350,088	\$1,367,489	\$1,627,256
School District's Covered Payroll	\$809,215	\$748,050	\$693,279
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	166.84%	182.81%	234.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.01954910%	0.01992600%	0.01992600%
\$1,115,491	\$1,008,444	\$1,184,935
\$590,279	\$558,511	\$520,069
188.98%	180.56%	227.84%
69.16%	71.70%	65.52%

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.02372870%	0.02308200%	0.02241330%
School District's Proportionate Share of the Net OPEB Liability	\$658,298	\$619,459	\$638,862
School District's Covered Payroll	\$809,215	\$748,050	\$693,279
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	81.35%	82.81%	92.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.03375248%	0.03223152%	0.03088894%
School District's Proportionate Share of the Net Pension Liability	\$7,421,411	\$7,656,666	\$10,339,461
School District's Covered Payroll	\$3,881,564	\$3,588,700	\$3,288,450
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	191.20%	213.35%	314.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.03118773%	0.03054766%	0.03054766%
\$8,619,376	\$7,430,248	\$8,850,863
\$3,222,664	\$3,148,557	\$2,893,669
267.46%	235.99%	305.87%
72.10%	74.70%	69.30%

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

	2019	2018	2017
School District's Proportion of the Net OPEB (Asset) Liability	0.03375248%	0.03223152%	0.03088894%
School District's Proportionate Share of the Net OPEB (Asset) Liability	(\$542,369)	\$1,257,555	\$1,651,949
School District's Covered Payroll	\$3,881,564	\$3,588,700	\$3,288,450
School District's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of its Covered - Payroll	-13.97%	35.04%	50.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset) Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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**McDonald Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

	2019	2018	2017	2016
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$106,113	\$109,244	\$104,727	\$97,059
Contributions in Relation to the Contractually Required Contribution	<u>(106,113)</u>	<u>(109,244)</u>	<u>(104,727)</u>	<u>(97,059)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$786,022	\$809,215	\$748,050	\$693,279
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	18,502	16,037	11,915	10,837
Contributions in Relation to the Contractually Required Contribution	<u>(18,502)</u>	<u>(16,037)</u>	<u>(11,915)</u>	<u>(10,837)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.35%</u>	<u>1.98%</u>	<u>1.59%</u>	<u>1.56%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.85%</u>	<u>15.48%</u>	<u>15.59%</u>	<u>15.56%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$77,799	\$77,410	\$71,978	\$69,637	\$59,268	\$99,640
(77,799)	(77,410)	(71,978)	(69,637)	(59,268)	(99,640)
\$0	\$0	\$0	\$0	\$0	\$0
\$590,279	\$558,511	\$520,069	\$517,748	\$471,507	\$735,892
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
14,474	9,985	9,261	10,711	16,888	13,681
(14,474)	(9,985)	(9,261)	(10,711)	(16,888)	(13,681)
\$0	\$0	\$0	\$0	\$0	\$0
2.45%	1.79%	1.78%	2.07%	3.58%	1.86%
15.63%	15.65%	15.62%	15.52%	16.15%	15.40%

**McDonald Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$563,569	\$543,419	\$502,418	\$460,383
Contributions in Relation to the Contractually Required Contribution	<u>(563,569)</u>	<u>(543,419)</u>	<u>(502,418)</u>	<u>(460,383)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,025,493	\$3,881,564	\$3,588,700	\$3,288,450
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$451,173	\$409,312	\$376,177	\$360,736	\$356,170	\$441,220
<u>(451,173)</u>	<u>(409,312)</u>	<u>(376,177)</u>	<u>(360,736)</u>	<u>(356,170)</u>	<u>(441,220)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,222,664	\$3,148,557	\$2,893,669	\$2,774,892	\$2,739,769	\$3,394,000
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$31,486	\$28,937	\$27,749	\$27,398	\$33,940
<u>0</u>	<u>(31,486)</u>	<u>(28,937)</u>	<u>(27,749)</u>	<u>(27,398)</u>	<u>(33,940)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

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**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, 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.

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

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For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Net OPEB Liability**

**Changes in Assumptions – SERS**

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

Municipal Bond Index Rate:	
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Changes in Assumptions – STRS**

For fiscal year 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.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**Changes in Benefit Terms – STRS OPEB**

For fiscal year 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 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 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 will be discontinued beginning January 1, 2020.

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

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EastRegion@ohioauditor.gov

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

McDonald Local School District  
Trumbull County  
600 Iowa Avenue  
McDonald, Ohio 44437

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, each major fund, and the aggregate remaining fund information of the McDonald Local School District, Trumbull 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 February 14, 2020.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

February 14, 2020

OHIO AUDITOR OF STATE  
**KEITH FABER**



**MCDONALD LOCAL SCHOOL DISTRICT**

**TRUMBULL 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  
MAY 12, 2020**