OHIO AUDITOR OF STATE
KEITH FABER

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS
(Continued)

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

West Liberty-Salem Local School District
Champaign County
7208 North U.S. Highway 68
West Liberty, Ohio 43357

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the West Liberty-Salem Local School District, Champaign County, Ohio (the District), as of and for the fiscal years ended June 30, 2020 and 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2020 and 2019, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3.A to the financial statements, during 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 17 to the fiscal year 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to the fiscal year ended June 30, 2019 management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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

December 10, 2020

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 12,125,918
Cash in segregated accounts	8,520
Total assets.	12,134,438
Net position:	
Restricted for:	
Capital projects	1,748,592
Classroom facilities maintenance	416,601
Debt service.	1,032,780
State funded programs.	67,045
Federally funded programs	7
Student activities	248,705
Other purposes	51,826
Unrestricted	8,568,882
Total net position.	$ 12,134,438

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

		Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Cash Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 5,789,210	$ 1,575,899	$ -	$ (4,213,311)
Special	1,665,544	69,028	510,080	(1,086,436)
Vocational	208,521	-	42,234	(166,287)
Other	569,663	-	-	(569,663)
Support services:				
Pupil	732,925	-	248,739	(484,186)
Instructional staff	567,990	-	67,045	(500,945)
Board of education	28,161	-	-	(28,161)
Administration	939,913	-	1,500	(938,413)
Fiscal	480,073	-	-	(480,073)
Operations and maintenance	1,268,477	-	17,951	(1,250,526)
Pupil transportation	699,398	-	23,871	(675,527)
Operation of non-instructional services:				
Other non-instructional services	3,600	-	3,600	-
Food service operations	387,340	211,797	108,068	(67,475)
Extracurricular activities	615,650	254,950	12,748	(347,952)
Facilities acquisition and construction	258,073	-	-	(258,073)
Debt service:				
Principal retirement	352,697	-	-	(352,697)
Interest and fiscal charges	251,399	-	-	(251,399)
Bond issuance costs	185,851	-	-	(185,851)
Accretion on capital appreciation bonds	102,557	-	-	(102,557)
Payment to refunded bond escrow agent	10,002,366	-	-	(10,002,366)
Total governmental activities	$ 25,109,408	$ 2,111,674	$ 1,035,836	(21,961,898)

General cash receipts:	
Property taxes levied for:	
General purposes	2,868,389
Debt service	412,895
Capital outlay	142,354
Income taxes levied for:	
General purposes	2,774,802
Grants and entitlements not restricted to specific programs	5,883,097
Refunding bonds sold	9,311,178
Premiums on refunding bonds sold	877,039
Investment earnings	154,461
Miscellaneous	152,761
Total general cash receipts	22,576,976
Change in net cash position	615,078
Net cash position at beginning of year (restated)	11,519,360
Net cash position at end of year	$ 12,134,438

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash			
and cash equivalents.	$ 8,560,362	$ 3,565,556	$ 12,125,918
Cash in segregated accounts	8,520	-	8,520
Total assets	$ 8,568,882	$ 3,565,556	$ 12,134,438
Fund balances:			
Restricted:			
Debt service	-	1,032,780	1,032,780
Capital improvements	-	1,748,592	1,748,592
Classroom facilities maintenance	-	416,601	416,601
Food service operations	-	51,826	51,826
Special education	-	7	7
Extracurricular.	-	248,705	248,705
Student wellness and success.	-	67,045	67,045
Assigned:			
Student instruction	5,436	-	5,436
Student and staff support.	100,744	-	100,744
Subsequent year's appropriations	2,193,485	-	2,193,485
School supplies.	25,811	-	25,811
Unassigned	6,243,406	-	6,243,406
Total fund cash balances	$ 8,568,882	$ 3,565,556	$ 12,134,438

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:			
From local sources:			
Property taxes	$ 2,868,389	$ 555,249	$ 3,423,638
Income taxes	2,774,802	-	2,774,802
Tuition	1,615,735	-	1,615,735
Earnings on investments	134,162	20,299	154,461
Charges for services	-	211,797	211,797
Extracurricular	35,861	217,774	253,635
Classroom materials and fees	1,315	-	1,315
Contract services	8,192	-	8,192
Other local revenues	152,761	36,391	189,152
Intergovernmental - state	6,239,531	164,777	6,404,308
Intergovernmental - federal	-	499,234	499,234
Total receipts	13,830,748	1,705,521	15,536,269
Cash disbursements:			
Current:			
Instruction:			
Regular	5,751,922	37,288	5,789,210
Special	1,534,970	130,574	1,665,544
Vocational	208,521	-	208,521
Other	569,663	-	569,663
Support services:			
Pupil	484,130	248,795	732,925
Instructional staff	567,990	-	567,990
Board of education	28,161	-	28,161
Administration	938,413	1,500	939,913
Fiscal	460,659	19,414	480,073
Operations and maintenance	1,066,321	202,156	1,268,477
Pupil transportation	699,398	-	699,398
Operation of non-instructional services:			
Other operation of non-instructional	-	3,600	3,600
Food service operations	-	387,340	387,340
Extracurricular activities	426,511	189,139	615,650
Facilities acquisition and construction	-	258,073	258,073
Debt service:			
Principal retirement	200,254	152,443	352,697
Interest and fiscal charges	11,745	239,654	251,399
Bond issuance costs	-	185,851	185,851
Accretion on capital appreciation bonds	-	102,557	102,557
Total disbursements	12,948,658	2,158,384	15,107,042
Excess (deficiency) of cash receipts over (under) cash disbursements	882,090	(452,863)	429,227
Other financing sources (uses):			
Premium on refunding bonds sold	-	877,039	877,039
Sale of refunding bonds	-	9,311,178	9,311,178
Transfers in	-	544,291	544,291
Transfers (out)	(544,291)	-	(544,291)
Payment to refunded bond escrow agent	-	(10,002,366)	(10,002,366)
Total other financing sources (uses)	(544,291)	730,142	185,851
Net change in fund cash balances	337,799	277,279	615,078
Fund cash balances at beginning of year (restated)	8,231,083	3,288,277	11,519,360
Fund cash balances at end of year	$ 8,568,882	$ 3,565,556	$ 12,134,438

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Budgetary cash receipts				
From local sources:				
Property taxes	$ 2,856,752	$ 2,902,083	$ 2,868,389	$ (33,694)
Income taxes.	2,641,667	2,774,802	2,774,802	-
Tuition.	1,545,000	1,554,904	1,615,735	60,831
Earnings on investments	140,000	140,000	134,162	(5,838)
Contract services.	8,500	8,500	8,192	(308)
Other local revenues	112,000	112,728	118,444	5,716
Intergovernmental - state	6,452,707	6,464,170	6,239,530	(224,640)
Total budgetary cash receipts	13,756,626	13,957,187	13,759,254	(197,933)
Budgetary cash disbursements				
Current:				
Instruction:				
Regular	6,274,624	6,272,134	5,828,224	443,910
Special.	1,861,249	1,854,410	1,534,970	319,440
Vocational.	228,491	228,400	208,521	19,879
Other.	619,746	625,500	569,663	55,837
Support services:				
Pupil.	472,715	478,627	458,424	20,203
Instructional staff	847,255	846,919	727,400	119,519
Board of education	38,415	38,400	28,161	10,239
Administration.	1,133,668	1,133,218	1,026,821	106,397
Fiscal	515,298	530,093	460,659	69,434
Operations and maintenance.	1,294,899	1,294,385	1,074,951	219,434
Pupil transportation	884,065	865,714	699,398	166,316
Extracurricular activities.	441,175	459,000	385,560	73,440
Total budgetary cash disbursements	14,611,600	14,626,800	13,002,752	1,624,048
Excess (deficiency) of cash receipts over (under) cash disbursements	(854,974)	(669,613)	756,502	1,426,115
Other financing sources (uses):				
Refund of prior year's expenditures	22,000	69,075	69,075	-
Transfers (out).	(505,200)	(545,000)	(544,291)	709
Total other financing sources (uses)	(483,200)	(475,925)	(475,216)	709
Net change in fund cash balance	(1,338,174)	(1,145,538)	281,286	1,426,824
Fund cash balance at beginning of year	8,061,949	8,061,949	8,061,949	-
Prior year encumbrances appropriated	50,411	50,411	50,411	-
Fund cash balance at end of year	$ 6,774,186	$ 6,966,822	$ 8,393,646	$ 1,426,824

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The West Liberty-Salem Local School District (the "District") is in Champaign County and encompasses the Village of West Liberty and portions of surrounding townships. The District serves an area of approximately 90 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 building, which contains 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 87 certified employees, 53 classified employees and 5 administrators to provide services to 1,037 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization
The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan and Shelby counties. WOCO 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.

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of 14 members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Midwest Regional Educational Service Center). Financial information is available from Marcia Wierwille, Fiscal Officer/Treasurer, 129 East Court Street, Sidney, Ohio 45265.

Ohio Hi-Point Joint Vocational School
The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The JVS is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. Financial information can be obtained by writing to Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio, 43311.

Metropolitan Educational Technology Association
The District is a participant in META Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). META Solutions develops, implements, and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council
The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 100 school districts in 12 counties. The purpose of the Council is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the general fund. During fiscal year 2020, the District paid $1,772,443 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio, 45377.

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

INSURANCE PURCHASING POOLS/SHARED RISK POOL

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

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. CompManagement provides administrative, cost control and actuarial services to the Program.

Ohio School Plan
The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents and treasurers. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from The Hylant Group, 811 Madison Avenue, Toledo, Ohio 43604.

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust
The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

B. Fund Accounting

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

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

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the District's major governmental fund:

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Custodial funds account for monies held on behalf of others that do not meet the definition of a trust fund. The District has no fiduciary funds.

C. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

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

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2020 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers’ comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission’s certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2020.

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund and function for the general fund, and by fund for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund or function appropriations for the general fund, or the total of any fund appropriations for all other funds, must be approved by the Board of Education.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2020; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and function level for the general fund, and at the fund level for all other funds.

F. Cash and Investments

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

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, 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.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, and to the food service fund (a nonmajor governmental fund) and the classroom facilities (a nonmajor governmental fund). Interest revenue credited to the general fund during fiscal year 2020 amounted to $134,162, which includes $24,763 assigned from other funds.

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

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

G. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Capital leases and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Balance

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

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

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

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

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

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Interfund Activity

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2020.

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

N. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

	General	Other Governmental Funds	Total Governmental Funds
Fund cash balance previously reported	$ 8,222,563	$ 3,143,538	$ 11,366,101
GASB Statement No. 84	8,520	144,739	153,259
Restated fund cash balance at June 30, 2019	$ 8,231,083	$ 3,288,277	$ 11,519,360

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities at June 30, 2019 have been restated as follows:

	Governmental Activities
Net cash position as previously reported	$ 11,366,101
GASB Statement No. 84	153,259
Restated net cash position at June 30, 2019	$ 11,519,360

Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and net cash position of $153,259.

B. Compliance

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

8. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met;

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was $5,868,250 and the bank balance of all District deposits was $5,956,557. Of the bank balance, $578,628 was covered by FDIC, $1,930,869 was collateralized with a letter of credit in the District's name, and $3,447,060 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent in the District's name. Although all statutory requirements for the deposit money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

B. Investments

At June 30, 2020, the District had the following investments and maturities:

Investment type	NAV	Investment Maturity 6 months or less
STAR Ohio	$ 6,266,188	$ 6,266,188

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

Investment	NAV	% of Total
STAR Ohio	$ 6,266,188	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Cash Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position at June 30, 2020:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 5,868,250
Investments	6,266,188
Total	$ 12,134,438

Cash and investments per statement of net cash position	
Governmental activities	$ 12,134,438

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2020 consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	Amount
Nonmajor governmental funds	$ 544,291

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Champaign and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 146,497,940	95.59	$ 151,001,630	95.44
Public utility personal	6,766,630	4.41	7,212,790	4.56
Total	$ 153,264,570	100.00	$ 158,214,420	100.00
Tax rate per $1,000 of assessed valuation	$38.10		$38.10	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

During fiscal year 1983, voters of the District passed a 0.5% continuing income tax. A 1.0% renewable income tax was first passed in 1992 and is subject to renewal every three years. The 1.0% income tax was renewed for a three year period in May 2019.

During fiscal year 2014, voters of the District passed a Combination Levy which included a new 0.25% income tax for a 23 year term. The proceeds from this additional 0.25% will be used to help pay off a portion of the new bond debt for the building project and help the District meet the Ohio Facilities Construction Commission classroom facility maintenance requirement for the building project.

Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the general fund for fiscal year 2020 was $2,774,802.

NOTE 8 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following:

	Balance 06/30/19	Additions	Reductions	Balance 06/30/20	Amounts Due in One Year
General obligation bonds:					
Series 2013A					
Current interest	$ 6,865,000	$ -	$ (6,865,000)	$ -	$ -
Capital appreciation bonds	64,992	-	(27,443)	37,549	21,189
Accreted interest on bonds	205,552	61,883	(102,557)	164,878	108,811
Total Series 2013A	7,135,544	61,883	(6,995,000)	202,427	130,000
Series 2013B					
Current interest bonds	2,830,000	-	(2,625,000)	205,000	75,000
Capital appreciation bonds	14,993	-	-	14,993	7,934
Accreted interest on bonds	53,703	21,841	-	75,544	47,066
Total Series 2013B	2,898,696	21,841	(2,625,000)	295,537	130,000
Series 2020A					
Current interest	-	6,480,000	-	6,480,000	-
Capital appreciation bonds	-	331,208	-	331,208	111,485
Accreted interest on bonds	-	29,549	-	29,549	38,515
Total Series 2020A	-	6,840,757	-	6,840,757	150,000
Series 2020B					
Current interest bonds	-	2,380,000	-	2,380,000	-
Capital appreciation bonds	-	119,970	-	119,970	40,878
Accreted interest on bonds	-	10,701	-	10,701	14,122
Total Series 2020B	-	2,510,671	-	2,510,671	55,000
Capital lease obligations	399,548	148,181	(200,254)	347,475	176,542
Total long-term obligations	$ 10,433,788	$ 9,583,333	$ (9,820,254)	$ 10,196,867	$ 641,542

Capital lease obligations: See Note 9 for detail.

B. Series 2013 General Obligation Bonds

On November 13, 2013, the District issued general obligation bonds, in the amount of $10,999,985, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond issue included serial, term, and capital appreciation bonds, in the amount of $6,635,000, $4,285,000 and $79,985. The bonds are retired from the bond retirement fund (a nonmajor governmental fund), with a portion of the proceeds of a 3.62 mill voted property tax levy. During fiscal year 2020, $6,865,000 of the Series 2013A bonds were refunded by the Series 2020A bonds and $2,500,000 of the 2013B bonds were refunded by the Series 2020B bonds.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2019 through 2023. The maturity amount of the capital appreciation bonds is $530,000 with $450,015 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2020 was $240,422.

C. Series 2020A&B General Obligation Bonds

On March 25, 2020, the District issued $6,811,208 in Series 2020A general obligation bonds to refund $6,865,000 of the Series 2013A general obligation bonds and $2,499,970 in Series 2020B general obligation bonds to refund $2,500,000 of the Series 2013B general obligations bonds. Interest payments are due June 1 and December 1 and the bonds are retired from the bond retirement fund (a nonmajor governmental fund), with a portion of the proceeds of a 3.62 mill voted property tax levy. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). The balance of the refunded bonds outstanding at June 30, 2020 was $9,365,000.

The Series 2020A issue is comprised of both current interest bonds, par value $6,480,000 and capital appreciation bonds, par value $331,208. The interest rates on the current interest bonds range from 1.486% - 2.835%. The capital appreciation bonds mature December 1, 2020 through December 1, 2024 (approximate equivalent interest rate 48.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2020 through December 1, 2024 range from $105,000 to $265,000. Total accreted value of the capital appreciation bonds at June 30, 2020 was $360,757.

The Series 2020B issue is comprised of both current interest bonds, par value $2,380,000 and capital appreciation bonds, par value $119,970. The interest rates on the current interest bonds range from 1.386% - 2.635%. The capital appreciation bonds mature December 1, 2020 through December 1, 2023 (approximate equivalent interest rate 48.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond maturing December 1, 2020 through December 1, 2023 range from $40,000 to $165,000. Total accreted value of the capital appreciation bonds at June 30, 2020 was $130,671.

The reacquisition price exceeded the net carrying amount of the old debt by $691,188. This advance refunding was undertaken to reduce the combined total debt service payments by $1,621,296.

D. Future Debt Service Requirements

Future debt requirements are below:

	2013A - Capital Appreciation Bonds		
Year	Principal	Interest	Total
2021	$ 21,189	$ 108,811	$ 130,000
2022	16,360	113,640	130,000
Total	$ 37,549	$ 222,451	$ 260,000

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

	Series 2013B					
	Current Interest Bonds			Capital Appreciation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2021	$ 75,000	$ 5,025	$ 80,025	$ 7,934	$ 47,066	$ 55,000
2022	130,000	1,950	131,950	-	-	-
2023	-	-	-	7,059	77,941	85,000
Total	$ 205,000	$ 6,975	$ 211,975	$ 14,993	$ 125,007	$ 140,000

	Series 2020A					
	Current Interest Bonds			Capital Appreciation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2021	$ -	$ 153,196	$ 153,196	$ 111,485	$ 38,515	$ 150,000
2022	-	153,196	153,196	50,550	54,450	105,000
2023	-	153,196	153,196	82,638	182,362	265,000
2024	-	153,196	153,196	52,517	207,483	260,000
2025	-	153,196	153,196	34,018	225,982	260,000
2026 - 2030	1,535,000	706,771	2,241,771	-	-	-
2031 - 2035	1,930,000	538,245	2,468,245	-	-	-
2036 - 2040	2,440,000	258,415	2,698,415	-	-	-
2041	575,000	8,151	583,151	-	-	-
Total	$ 6,480,000	$ 2,277,562	$ 8,757,562	$ 331,208	$ 708,792	$ 1,040,000

	Series 2020B					
	Current Interest Bonds			Capital Appreciation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2021	$ -	$ 49,932	$ 49,932	$ 40,878	$ 14,122	$ 55,000
2022	-	49,932	49,932	19,257	20,743	40,000
2023	-	49,932	49,932	26,506	58,494	85,000
2024	-	49,932	49,932	33,329	131,671	165,000
2025	165,000	48,789	213,789	-	-	-
2026 - 2030	860,000	203,502	1,063,502	-	-	-
2031 - 2035	945,000	113,320	1,058,320	-	-	-
2036 - 2039	410,000	10,936	420,936	-	-	-
Total	$ 2,380,000	$ 576,275	$ 2,956,275	$ 119,970	$ 225,030	$ 345,000

E. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2020 are a legal voted debt margin of $5,703,359 (including available funds of $1,032,780) and a legal unvoted debt margin of $158,214.

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

In the current and prior fiscal year, the District entered into seven capital lease agreements for the acquisition of computer and copier equipment. The leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Principal and interest payments in the 2020 fiscal year totaled $200,254 and $11,745, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease agreements and the present value of the future minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	Amount
2021	$ 185,740
2022	118,247
2023	57,186
Total Minimum lease payments	361,173
Less: amount representing interest	(13,698)
Present value of minimum lease payments	$ 347,475

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District contracted with Ohio School Plan (through the Stolly Insurance Group) for property, fleet insurance, liability insurance and violence coverage.

NOTE 10 - RISK MANAGEMENT - (Continued)

Coverages provided by Ohio School Plan are as follows:

Type of Coverage	Amount
Building and Business Personal Property including EDP	$46,207,731
Replacement cost ($1,000 deductible)	
Violence Coverage	1,000,000
Automotive Liability	
Comprehensive deductibles: buses - $1,000, all other - $250	
Collision deductible: buses - $1,000, all other - $500	3,000,000
Uninsured / Underinsured Motorist Bodily Injury	1,000,000
General Liability	
Per Occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2020.

B. Workers' Compensation

For fiscal year 2020, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program Plan (the "Plan"). This Plan was created as a result of Amended House Bill 222 that mandated the creation of the Workers Compensation Group Rating Program Plan as defined in the Ohio Revised Code Section 4123.29. The intent of the Plan is to permit employers to Group together to potentially achieve a lower premium rate that they may not otherwise be able to acquire as individual employers.

The workers' compensation experience of the participating Districts is calculated, and the District is then placed in the level/tier for which they qualify based on a number of factors. Each participant pays its workers' compensation premium to the state based on the rate for the Plan level/tier rather than its individual rate. Participation in the Plan is limited to Districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

C. Employee Medical

The District is a member of the Southwestern Ohio Educational Purchasing Council and currently participates in their Medical Insurance Program. This program provides the district with HDP which is insured by Anthem. Dental Coverage is provided by Trustmark and Vision Insurance is provided by VSP. These plans are for active employees and their covered dependents.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was $238,512 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $761,469 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04851740%	0.04550097%	
Proportion of the net pension liability current measurement date	0.04510400%	0.04585307%	
Change in proportionate share	-0.00341340%	0.00035210%	
Proportionate share of the net pension liability	$2,698,651	$10,140,131	$12,838,782

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

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

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate **-** The total pension liability was calculated using the discount rate of 7.50%. 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%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	$ 3,781,775	$ 2,698,651	$ 1,790,316

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	$ 14,818,672	$ 10,140,131	$ 6,179,506

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was $19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was $29,657.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $29,657 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.04902660%	0.04550097%	
Proportion of the net OPEB liability/asset current measurement date	0.04649530%	0.04585307%	
Change in proportionate share	-0.00253130%	0.00035210%	
Proportionate share of the net OPEB liability	$ 1,169,259	$ -	$ 1,169,259
Proportionate share of the net OPEB asset	$ -	$ (759,437)	$ (759,437)

Actuarial Assumptions - SERS

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,419,259	$ 1,169,259	$ 970,480

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 936,813	$ 1,169,259	$ 1,477,658

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	$ (648,028)	$ (759,437)	$ (853,106)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ (861,167)	$ (759,437)	$ (634,843)

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, 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 receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary) rather than an assigned fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the budgetary basis statement to the cash basis statement:

Net Change in Fund Balance

	General fund
Budget basis	$ 281,286
Funds budgeted elsewhere**	6,538
Adjustment for encumbrances	49,975
Cash basis	$ 337,799

**The uniform school supplies, rotary fund and public school support fund are legally budgeted as separate special revenue funds; however, they are considered part of the general fund for financial reporting purposes.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2020 Foundation funding for the District, which resulted in a receivable of $14,521.

NOTE 15 – SET-ASIDES

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

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

	Capital Improvements
Set-aside balance June 30, 2019	$ -
Current year set-aside requirement	216,917
Current year qualifying expenditures	(143,652)
Current year offsets	(239,263)
Total	$ (165,998)
Balance carried forward to fiscal year 2021	$ -
Set-aside balance June 30, 2020	$ -

NOTE 16 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 59,368
Nonmajor governmental funds	142,305
Total	$ 201,673

NOTE 17 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- In total, net cash position of governmental activities increased $235,451 or 2.12% from fiscal year 2018.

- General cash receipts accounted for $12,361,192 or 79.41% of all cash receipts. Program specific cash receipts in the form of charges for services and sales, and grants and operating grants and contributions accounted for $3,204,311 or 20.59% of total cash receipts of $15,565,503.

- The District had $15,330,052 in cash disbursements related to governmental activities; $3,204,311 of these disbursements was offset by program specific charges for services and operating grants and contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $12,361,192 were adequate to provide for these programs.

- The District's major governmental fund is the general fund. The general fund had $13,832,382 in cash receipts and $13,600,475 in cash disbursements and other financing uses. During fiscal year 2019, the general fund's fund cash balance increased $231,907 from a balance of $7,990,656 to $8,222,563.

Using these Basic Financial Statements

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

The *Statement of Net Position - Cash Basis* and *Statement of Activities - Cash Basis* provide information about the activities of the whole District, presenting an aggregate view of the District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the major governmental fund is the general fund.

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2019?" These statements include *net cash position* using the *cash basis of accounting,* which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, deferred outflows of resources and deferred inflows of resources are also not presented. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis can be found on pages 53-54 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 48. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.
The governmental fund statements can be found on pages 55-56 of this report.

The District's budgetary process accounts for certain transactions on a cash-basis plus encumbrances. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 57 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All the District's fiduciary activities are reported in separate statement of fiduciary net position - cash basis on page 58. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 59-90 of this report.

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2019 and June 30, 2018.

Net Cash Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Equity in pooled cash and cash equivalents	$ 11,366,101	$ 11,130,650
Total assets	11,366,101	11,130,650
Net Cash Position		
Restricted	3,143,538	3,139,994
Unrestricted	8,222,563	7,990,656
Total net cash position	$ 11,366,101	$ 11,130,650

The total net cash position of the District increased $235,451 from fiscal year 2018 due to a slight increase in income tax receipts. A portion of the District's net cash position, $3,143,538, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of $8,222,563 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for fiscal years 2019 and 2018.

Change in Net Cash Position

	Governmental Activities 2019	Governmental Activities 2018
Receipts		
Program cash receipts:		
Charges for services and sales	$ 2,071,328	$ 2,921,828
Operating grants and contributions	1,132,983	974,484
General cash receipts:		
Property taxes	3,282,412	3,363,545
Income taxes	2,615,512	2,489,681
Grants and entitlements restricted for Ohio School Facilities Construction Commission	-	32,984
Grants and entitlements not restricted to specific programs	6,119,975	6,187,406
Investment earnings	188,864	102,165
Miscellaneous	154,429	237,008
Total receipts	$ 15,565,503	$ 16,309,101

The decrease from the prior year can be attributed to the decrease in grants and entitlements for the District's OSFCC project and a decrease in the charges for services and sales program resulting from a decrease in open enrollment.

During 2019, there was an increase in income taxes and investment earnings. Operating grants and contributions increased due to the establishment of the miscellaneous state grants fund.

Change in Net Cash Position

	Governmental Activities 2019	Governmental Activities 2018
Cash disbursements:		
Program disbursements:		
Instruction:		
Regular	$ 5,652,644	$ 5,418,385
Special	1,641,364	1,558,960
Vocational	203,765	195,071
Other	516,859	462,221
Support services:		
Pupil	757,450	613,340
Instructional staff	555,056	578,953
Board of education	30,719	29,081
Administration	891,076	895,529
Fiscal	484,090	466,344
Operations and maintenance	1,187,194	1,353,818
Pupil transportation	956,061	723,689
Operation of non-instructional services:		
Other non-instructional services	3,600	3,600
Food service operations	420,915	426,547
Extracurricular activities	658,654	633,635
Facilities acquisition and construction	559,882	1,227,225
Debt service:		
Principal retirement	396,297	372,924
Interest and fiscal charges	414,426	419,838
Total cash disbursements	15,330,052	15,379,160
Change in net cash position	235,451	929,941
Net cash position at beginning of year	11,130,650	10,200,709
Net cash position at end of year	$ 11,366,101	$ 11,130,650

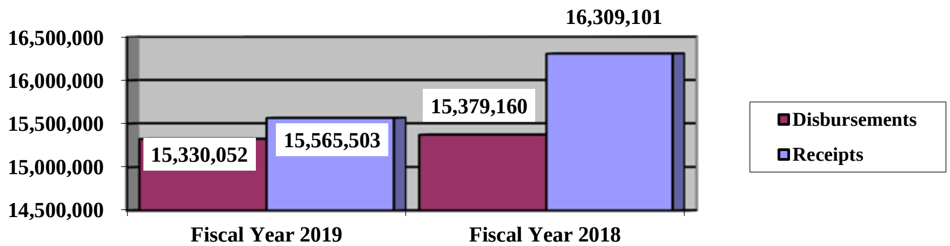
Governmental Activities

Net cash position of the District's governmental activities increased $235,451. Total governmental cash disbursements of $15,330,052 were offset by program cash receipts of $3,204,311 and general cash receipts of $12,361,192. Program cash receipts supported 20.90% of the total governmental cash disbursements. The largest governmental disbursements were instruction disbursements which totaled $8,014,632 or 52.29% of total governmental disbursements for fiscal year 2019.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 77.21% of total governmental receipts.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2019 and 2018.

Governmental Activities - Cash Receipts and Cash Disbursements



The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services, which identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

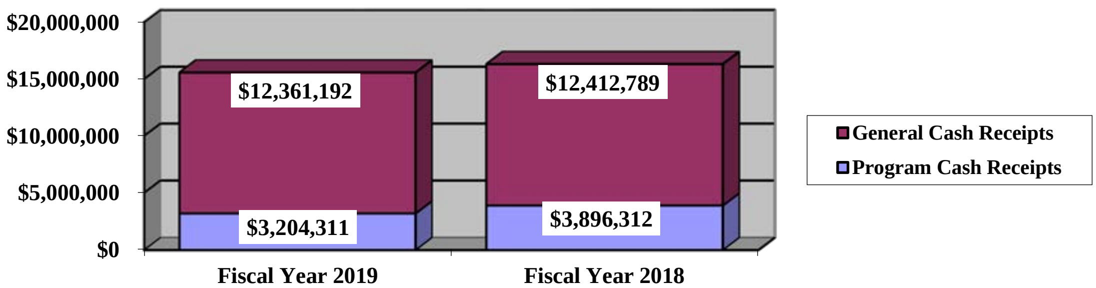
Governmental Activities

Cash disbursements:	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Instruction:				
Regular	$ 5,652,644	$ 4,200,898	$ 5,418,385	$ 3,723,010
Special	1,641,364	997,410	1,558,960	311,501
Vocational	203,765	161,929	195,071	152,125
Other	516,859	510,254	462,221	462,221
Support services:				
Pupil	757,450	393,533	613,340	379,122
Instructional staff	555,056	555,056	578,953	578,953
Board of education	30,719	30,719	29,081	29,081
Administration	891,076	885,712	895,529	894,098
Fiscal	484,090	484,090	466,344	466,344
Operations and maintenance	1,187,194	1,168,569	1,353,818	1,335,193
Pupil transportation	956,061	933,638	723,689	700,990
Operation of non-instructional services:				
Other non-instructional services	3,600	-	3,600	-
Food service operations	420,915	37,701	426,547	51,686
Extracurricular activities	658,654	395,627	633,635	378,537
Facilities acquisition and construction	559,882	559,882	1,227,225	1,227,225
Debt service:				
Principal retirement	396,297	396,297	372,924	372,924
Interest and fiscal charges	414,426	414,426	419,838	419,838
Total cash disbursements	$ 15,330,052	$ 12,125,741	$ 15,379,160	$ 11,482,848

The dependence upon general cash receipts for governmental activities is apparent; with 79.10% of cash disbursements supported through taxes and other general cash receipts during 2019.

The graph below presents the District's governmental activities cash receipts for fiscal years 2019 and 2018

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of $11,366,101, which is higher than last year's total fund cash balance of $11,130,650. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2019 and June 30, 2018.

	Fund Cash Balance June 30, 2019	Fund Cash Balance June 30, 2018	Increase/ (Decrease)	Percentage Change
General	$ 8,222,563	$ 7,990,656	$ 231,907	2.90 %
Other Governmental	3,143,538	3,139,994	3,544	0.11 %
Total	$ 11,366,101	$ 11,130,650	$ 235,451	2.12 %

General Fund

The general fund had cash receipts of $13,832,382 in 2019. The cash disbursements and other financing uses of the general fund, totaled $13,600,475 in 2019. The general fund's cash balance increased $231,907 in 2019. This increase can be attributed to an increase in income taxes and earnings on investments.

Overall cash receipts decreased $776,269 during fiscal year 2019. Tuition receipts decreased $870,976 from the prior year. This decrease can be attributed to Adriel closing and the final payments received from excess costs in fiscal year 2018. The increase in earnings on investments is due to better performance in the District's investments.

Overall cash disbursements and other financing uses increased $608,593 or 4.68% during fiscal year 2019. The cash disbursements increase can be attributed to an increase in instruction and debt service due to higher capital lease payments in fiscal year 2019.

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund.

	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
Cash receipts				
Taxes	$ 5,359,806	$ 5,300,582	$ 59,224	1.12 %
Tuition	1,532,039	2,403,015	(870,976)	(36.25) %
Earnings on investments	158,906	79,283	79,623	100.43 %
Intergovernmental	6,476,137	6,521,001	(44,864)	(0.69) %
Other revenues	305,494	304,770	724	0.24 %
Total	$ 13,832,382	$ 14,608,651	$ (776,269)	(5.31) %
Cash disbursements				
Instruction	$ 7,786,120	$ 7,387,068	$ 399,052	5.40 %
Support services	4,367,911	4,139,931	227,980	5.51 %
Extracurricular activities	533,256	494,849	38,407	7.76 %
Debt service	154,814	137,747	17,067	12.39 %
Total	$ 12,842,101	$ 12,159,595	$ 682,506	5.61 %

General Fund Budgeting Highlights

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

For the general fund, final budgetary basis receipts and other financing sources of $13,832,234 were more than the original budget estimates of $13,606,109. Actual cash receipts and other financing sources of $13,739,611 were less than final budget estimates by $92,623. The final budgetary basis disbursements and other financing uses of $14,551,391 were more than the original budget estimates of $14,251,391. The actual budgetary basis disbursements and other financing uses of $13,564,295 were $987,096 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2019.

Outstanding Debt, at Year End

	Governmental Activities 2019	Governmental Activities 2018
General obligation bonds	$ 10,034,240	$ 10,211,017
Capital lease obligations	399,548	466,595
Total	$ 10,433,788	$ 10,677,612

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

Current Financial Related Activities

Our District, like most other districts, continues to face many challenges this year and in the years to come. As the preceding information shows, the District relies heavily upon Real Estate Property taxes, mostly residential and agriculture, Income taxes (1/2% continuing, 1% for a three-year renewable term and a new ¼% to help pay off a portion of the Building Project debt for a 23-year term) and Unrestricted State Aid. The District experienced an increase to one of these three receipt line items during fiscal year 2019 (Income Tax). Locally the District has very little industry within the school District boundaries, which makes the Real Estate Property tax and the income tax even more vital to the District's operation and existence. The 1% income tax was renewed in May 2019, and will be up for renewal again in Spring of 2022 pending Board approval. The District did have receipts in excess of disbursements for fiscal year 2019. This was directly related to the continued cost containment measures. Regarding State funding, our largest area of receipts, the District experienced a slight decrease in this source of revenue due to a decrease in the Transitional Aide Guarantee and Preschool Funding. Per the State Bi-annual Budget for Fiscal year 2018 and 2019, the District continued to be a guaranteed district, as they were last year. The District is currently being paid based on current enrollment numbers under the existing formula.

In addition to maintaining the Five-Year Forecast as required, the District has developed a Continuous Improvement Plan and an Ohio Improvement Plan. The vision of the District is a "quality staff providing support for student success", and the mission of the District is to be an "educational partnership dedicated to helping students reach their full potential". The Continuous Improvement Plan includes the following four objectives: 1. High Academic Achievement and Progress for All students. 2. West Liberty-Salem Local Schools will try to manage a fiscally responsible and secure District by continually maintaining a minimum cash reserve equaling one month of expenditures. 3. West Liberty-Salem Local Schools will Improve District-wide Communication among All Stakeholders in the School District and the Community. 4. West Liberty-Salem Local Schools will facilitate a relationship between the Board of Education, District Personnel, and the Community to Review and Create a Plan for Maintenance / Improvement of School Facilities. The Ohio Improvement Plan is made up of Smart Goals focused on utilizing data to drive effective, tiered methodologies within the areas of Instruction, Gap Closing and Positive Behavior Intervention Supports (PBIS).

District voters had approved a new Combination Levy for the OFCC Building Project during a special election in August 2013. The District share of the project is $9,362,527 including an LFI amount of $175,490 and the State share of the project is $19,522,454. Total project cost is anticipated to be approximately $30,000,000. The combination levy consists of a .25% income tax for 23 years and 3.62 Mill Bond issue in the amount $7,550,000 for 27 years at a fixed rate of 4.31%. The District's total debt of $11,000,000 includes the District's share of $9,362,527 plus $1,475,490 for a limited number of LFI (Locally Funded Initiative) projects not funded by the OFCC.

The District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. Negotiated agreements for Certified and Non-Certified employees were agreed to in FY 2017 for the next four years. The District does have an active health insurance committee and this committee is always reviewing and examining ways to reduce and or control health insurance cost for the district and the staff. For Fiscal Year 2020, the insurance rates increased by 25%, which was reduced from an original amount of 26%. Based on the increase, the insurance committee met several times. After evaluating options, it was decided not to make plan design changes. However, to bring the rate down by 1% the committee decided to remove the PPO as a plan choice. While claims costs continue to be high for the district, the EPC (Educational Purchasing Council) also experienced high claims, which contributed to the unusually high rate increase. District staff researched other consortiums and private insurers to no avail for a better plan option at a reasonable cost. Future years have been projected to increase at a level of 12%.

Current and ongoing areas of concern for the District include the rising cost of health care, the current real estate market (property values & agricultural values & CAUV changes), the future of State Funding beyond fiscal year 2020, fluctuations in enrollment, and the future impact of Community & Charter school deductions. The new state budget resulted in no increase in the per pupil funding. There were additional funds built into the state budget for specific initiatives, however it was based on federal poverty levels, which the district has shown a decrease in. Therefore, there is very little new state revenue projected for FY 2020 and FY 2021 for the district.

In conclusion, the Board of Education, administration, all staff, students, and the parents continue to look at ways of controlling costs, meeting the financial needs and challenges of the District, and most importantly of providing a quality education for all the students of the District.

Contacting the District's Financial Management.

This financial report is designed to provide our citizens and taxpayers, and our creditors and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mrs. Chelsea Baldwin, Treasurer/CFO, West Liberty-Salem Local School District, 7208 N. Route 68, West Liberty, Ohio, 43357-9674.

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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	$ 11,366,101
Total assets.	11,366,101
Net cash position:	
Restricted for:	
Capital projects	1,932,641
Classroom facilities maintenance	431,914
Debt service.	677,850
State funded programs.	6,605
Federally funded programs	63
Student activities	47,583
Other purposes	46,882
Unrestricted	8,222,563
Total net cash position.	$ 11,366,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Cash Position
	Cash Disbursements	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 5,652,644	$ 1,451,746	$ -	$ (4,200,898)
Special	1,641,364	88,931	555,023	(997,410)
Vocational	203,765	-	41,836	(161,929)
Other	516,859	-	6,605	(510,254)
Support services:				
Pupil	757,450	-	363,917	(393,533)
Instructional staff	555,056	-	-	(555,056)
Board of education	30,719	-	-	(30,719)
Administration	891,076	-	5,364	(885,712)
Fiscal	484,090	-	-	(484,090)
Operations and maintenance	1,187,194	-	18,625	(1,168,569)
Pupil transportation	956,061	-	22,423	(933,638)
Operation of non-instructional services:				
Other non-instructional services	3,600	-	3,600	-
Food service operations	420,915	280,124	103,090	(37,701)
Extracurricular activities	658,654	250,527	12,500	(395,627)
Facilities acquisition and construction	559,882	-	-	(559,882)
Debt service:				
Principal retirement	396,297	-	-	(396,297)
Interest and fiscal charges	414,426	-	-	(414,426)
Total governmental activities	$ 15,330,052	$ 2,071,328	$ 1,132,983	(12,125,741)

General cash receipts:	
Property taxes levied for:	
General purposes	2,744,294
Debt service	399,662
Capital outlay	138,456
Income taxes levied for:	
General purposes	2,615,512
Grants and entitlements not restricted to specific programs	6,119,975
Investment earnings	188,864
Miscellaneous	154,429
Total general cash receipts	12,361,192
Change in net cash position	235,451
Net cash position at beginning of year	11,130,650
Net cash position at end of year	$ 11,366,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash			
and cash equivalents	$ 8,222,563	$ 3,143,538	$ 11,366,101
Total assets	$ 8,222,563	$ 3,143,538	$ 11,366,101
Fund cash balances:			
Restricted:			
Debt service	$ -	$ 677,850	$ 677,850
Capital improvements	-	1,932,641	1,932,641
Classroom facilities maintenance	-	431,914	431,914
Food service operations	-	46,882	46,882
Special education	-	63	63
Other purposes	-	6,605	6,605
Extracurricular	-	47,583	47,583
Assigned:			
Student instruction	36,644	-	36,644
Student and staff support	73,655	-	73,655
Subsequent year's appropriations	832,174	-	832,174
School Supplies	24,017	-	24,017
Other purposes	26,298	-	26,298
Unassigned	7,229,775	-	7,229,775
Total fund cash balances	$ 8,222,563	$ 3,143,538	$ 11,366,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:			
From local sources:			
Property taxes	$ 2,744,294	$ 538,118	$ 3,282,412
Income taxes	2,615,512	-	2,615,512
Tuition	1,532,039	-	1,532,039
Earnings on investments	158,906	29,958	188,864
Charges for services	-	280,124	280,124
Extracurricular	141,567	108,100	249,667
Classroom materials and fees	860	-	860
Contract services	8,638	-	8,638
Other local revenues	154,429	15,018	169,447
Intergovernmental - state	6,476,137	99,784	6,575,921
Intergovernmental - federal	-	662,019	662,019
Total receipts	13,832,382	1,733,121	15,565,503
Cash disbursements:			
Current:			
Instruction:			
Regular	5,614,253	38,391	5,652,644
Special	1,451,243	190,121	1,641,364
Vocational	203,765	-	203,765
Other	516,859	-	516,859
Support services:			
Pupil	393,596	363,854	757,450
Instructional staff	555,056	-	555,056
Board of education	30,719	-	30,719
Administration	885,712	5,364	891,076
Fiscal	465,037	19,053	484,090
Operations and maintenance	1,081,730	105,464	1,187,194
Pupil transportation	956,061	-	956,061
Operation of non-instructional services:			
Other operation of non-instructional	-	3,600	3,600
Food service operations	-	420,915	420,915
Extracurricular activities	533,256	125,398	658,654
Facilities acquisition and construction	-	559,882	559,882
Debt service:			
Principal retirement	141,297	255,000	396,297
Interest and fiscal charges	13,517	400,909	414,426
Total disbursements	12,842,101	2,487,951	15,330,052
Excess (deficiency) of cash receipts over (under) cash disbursements	990,281	(754,830)	235,451
Other financing sources (uses):			
Transfers in	-	758,374	758,374
Transfers (out)	(758,374)	-	(758,374)
Total other financing sources (uses)	(758,374)	758,374	-
Net change in fund cash balances	231,907	3,544	235,451
Fund cash balances at beginning of year	7,990,656	3,139,994	11,130,650
Fund cash balances at end of year	$ 8,222,563	$ 3,143,538	$ 11,366,101

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Budgetary cash receipts				
From local sources:				
Property taxes	$ 2,833,157	$ 2,819,729	$ 2,744,294	$ (75,435)
Income taxes	2,538,220	2,601,831	2,615,512	13,681
Tuition	1,584,217	1,600,515	1,532,039	(68,476)
Earnings on investments	54,973	144,809	158,906	14,097
Contract services	7,996	8,593	8,638	45
Other local revenues	99,251	117,920	118,377	457
Intergovernmental - state	6,477,300	6,453,577	6,476,137	22,560
Total budgetary cash receipts	13,595,114	13,746,974	13,653,903	(93,071)
Budgetary cash disbursements				
Current:				
Instruction:				
Regular	5,924,449	5,901,797	5,710,148	191,649
Special	1,670,718	1,583,200	1,479,053	104,147
Vocational	217,330	221,881	203,765	18,116
Other	531,374	545,500	516,859	28,641
Support services:				
Pupil	403,608	420,759	379,112	41,647
Instructional staff	693,544	708,066	628,551	79,515
Board of education	37,074	37,950	30,719	7,231
Administration	1,057,115	1,079,249	976,118	103,131
Fiscal	489,305	499,550	465,230	34,320
Operations and maintenance	1,313,677	1,315,183	1,081,965	233,218
Pupil transportation	1,077,552	1,084,114	956,236	127,878
Extracurricular activities	386,576	395,670	378,165	17,505
Total budgetary cash disbursements	13,802,322	13,792,919	12,805,921	986,998
Excess (deficiency) of cash receipts over (under) cash disbursements	(207,208)	(45,945)	847,982	893,927
Other financing sources (uses):				
Refund of prior year's expenditures	10,995	85,260	85,708	448
Transfers (out)	(449,069)	(758,472)	(758,374)	98
Total other financing sources (uses)	(438,074)	(673,212)	(672,666)	546
Net change in fund cash balance	(645,282)	(719,157)	175,316	894,473
Fund cash balance at beginning of year	7,798,127	7,798,127	7,798,127	-
Prior year encumbrances appropriated	88,506	88,506	88,506	-
Fund cash balance at end of year	$ 7,241,351	$ 7,167,476	$ 8,061,949	$ 894,473

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2019

		Agency
Assets:		
Equity in pooled cash		
and cash equivalents	$	144,739
Cash in segregated accounts.		8,520
Total assets.	$	153,259
Net cash position:		
Due to employees	$	8,520
Deposits held and due to others		144,739
Total net cash position.	$	153,259

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The West Liberty-Salem Local School District (the "District") is in Champaign County and encompasses the Village of West Liberty and portions of surrounding townships. The District serves an area of approximately 90 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 building, which contains 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 87 certified employees, 53 classified employees and 5 administrators to provide services to 1,028 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization
The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan and Shelby counties. WOCO 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.

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of 14 members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Midwest Regional Educational Service Center). Financial information is available from Marcia Wierwille, Fiscal Officer/Treasurer, 129 East Court Street, Sidney, Ohio 45265.

Ohio Hi-Point Joint Vocational School
The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The JVS is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. Financial information can be obtained by writing to Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio, 43311.

Metropolitan Educational Technology Association
The District is a participant in META Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). META Solutions develops, implements, and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Educational Purchasing Council
The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 100 school districts in 12 counties. The purpose of the Council is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the general fund. During fiscal year 2019, the District paid $1,572,917 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio, 45377.

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

INSURANCE PURCHASING POOLS/SHARED RISK POOL

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

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. CompManagement provides administrative, cost control and actuarial services to the Program.

Ohio School Plan
The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents and treasurers. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from The Hylant Group, 811 Madison Avenue, Toledo, Ohio 43604.

Southwestern Ohio Educational Purchasing Council Benefit PlanTrust
The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the District's major governmental fund:

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

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

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2019 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2019.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund and function for the general fund, and by fund for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund or function appropriations for the general fund, or the total of any fund appropriations for all other funds, must be approved by the Board of Education.

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2019; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and function level for the general fund, and at the fund level for all other funds.

F. Cash and Investments

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

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

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, and to the food service fund (a nonmajor governmental fund) and the classroom facilities (a nonmajor governmental fund). Interest revenue credited to the general fund during fiscal year 2019 amounted to $158,906, which includes $6,715 assigned from other funds.

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

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

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

G. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Capital leases and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Balance

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

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

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

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

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

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Interfund Activity

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

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

N. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

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

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was $5,873,013 and the bank balance of all District deposits was $6,059,950. Of the bank balance, $764,559 was covered by the FDIC, $1,911,879 was collateralized with a letter of credit in the District's name, and $3,383,512 was potentially exposed to custodial risk discussed below because those deposits were uninsured and collateralized with securities held by the pledging institution's trust department or agent in the District's name. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

At June 30, 2019, the District had the following investments and maturities:

		Investment Maturity
Investment type	NAV	6 months or less
Star Ohio	$ 5,646,347	$ 5,646,347

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

Investment	NAV	% of Total
STAR Ohio	$ 5,646,347	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Cash Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position at June 30, 2019:

Cash and investments per note disclosure	
Carrying amount of deposits	$ 5,873,013
Investments	5,646,347
Total	$ 11,519,360
Cash and investments per statement of net cash position	
Governmental activities	$ 11,366,101
Agency funds	153,259
Total	$ 11,519,360

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2019 consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental funds	$ 758,374

Transfers are used to move receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and to use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Champaign and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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
Agricultural/residential and other real estate	145,950,250	95.77	146,497,940	95.59
Public utility personal	6,447,870	4.23	6,766,630	4.41
Total	$ 152,398,120	100.00	$ 153,264,570	100.00
Tax rate per $1,000 of assessed valuation	$38.10		$38.10	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

During fiscal year 1983, voters of the District passed a 0.5% continuing income tax. A 1.0% renewable income tax was first passed in 1992 and is subject to renewal every three years. The 1.0% income tax was renewed for a three year period in March 2016.

During fiscal year 2014, voters of the District passed a Combination Levy which included a new 0.25% income tax for a 23 year term. The proceeds from this additional 0.25% will be used to help pay off a portion of the new bond debt for the building project and help the District meet the Ohio Facilities Construction Commission classroom facility maintenance requirement for the building project.

Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts credited to the general fund for fiscal year 2019 was $2,615,512.

NOTE 8 - LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following:

General Obligation Bonds:	Balance 6/30/18	Increases	Decreases	Balance 6/30/19	Amount Due in One Year
Series 2013A					
Current interest	$ 6,995,000	$ -	$ (130,000)	$ 6,865,000	$ -
Capital appreciation bonds	64,992	-	-	64,992	27,443
Accreted interest on bonds	143,900	61,652	-	205,552	102,557
Total Series 2013A	7,203,892	61,652	(130,000)	7,135,544	130,000
Series 2013B					
Current interest	2,955,000	-	(125,000)	2,830,000	125,000
Capital appreciation bonds	14,993	-	-	14,993	-
Accreted interest on bonds	37,132	16,571	-	53,703	-
Total Series 2013B	3,007,125	16,571	(125,000)	2,898,696	125,000
Capital lease obligations	466,595	74,250	(141,297)	399,548	162,832
Total Long-Term Obligations	$ 10,677,612	$ 152,473	$ (396,297)	$ 10,433,788	$ 417,832

Capital lease obligations: See Note 9 for detail.

B. Series 2013 General Obligation Bonds

On November 13, 2013, the District issued general obligation bonds, in the amount of $10,999,985, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond issue included serial, term, and capital appreciation bonds, in the amount of $6,635,000, $4,285,000 and $79,985. The bonds are retired from the bond retirement fund, with a portion of the proceeds of a 3.62 mill voted property tax levy.

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1 (the “Interest Accretion Dates”), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2019 through 2022. The maturity amount of the capital appreciation bonds is $530,000 with $450,015 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2019 is $259,255.

Future debt requirements are below:

Series 2013A

	Current Interest Bonds			Capital Appreciation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2020	$ -	$ 290,278	$ 290,278	$ 27,443	$ 102,557	$ 130,000
2021	-	290,278	290,278	21,189	108,811	130,000
2022	-	290,278	290,278	16,360	113,640	130,000
2023	180,000	287,578	467,578	-	-	-
2024	185,000	282,103	467,103	-	-	-
2025-2029	1,170,000	1,302,609	2,472,609	-	-	-
2030-2034	1,690,000	1,021,901	2,711,901	-	-	-
2035-2039	2,425,000	573,346	2,998,346	-	-	-
2040-2041	1,215,000	57,697	1,272,697	-	-	-
Total	$ 6,865,000	$ 4,396,068	$ 11,261,068	$ 64,992	$ 325,008	$ 390,000

Series 2013B

	Current Interest Bonds			Capital Appreciation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2020	$ 125,000	$ 107,150	$ 232,150	$ -	$ -	$ -
2021	75,000	104,775	179,775	7,934	47,066	55,000
2022	130,000	101,700	231,700	-	-	-
2023	50,000	99,000	149,000	7,059	77,941	85,000
2024	140,000	96,150	236,150	-	-	-
2025-2029	750,000	407,603	1,157,603	-	-	-
2030-2034	915,000	244,579	1,159,579	-	-	-
2035-2038	645,000	44,439	689,439	-	-	-
Total	$ 2,830,000	$ 1,205,396	$ 4,035,396	$ 14,993	$ 125,007	$ 140,000

C. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District’s legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2019 are a legal voted debt margin of $4,696,676 (including available funds of $677,850) and a legal unvoted debt margin of $153,265.

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

In the current and prior fiscal year, the District entered into six capital lease agreements for the acquisition of computer and copier equipment. The leases meet the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Principal and interest payments in the 2019 fiscal year totaled $141,297 and $13,517, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease agreements and the present value of the future minimum lease payments as of June 30, 2019:

Fiscal Year Ending June 30,	Amount
2020	$ 174,413
2021	148,154
2022	80,660
2023	19,600
Total minimum lease payment	422,827
Less: amount representing interest	(23,279)
Present value of minimum lease payments	$ 399,548

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District contracted with Ohio School Plan (through the Stolly Insurance Group) for property, fleet insurance, liability insurance and violence coverage.

Coverages provided by Ohio School Plan are as follows:

Type of Coverage	Amount
Building and Business Personal Property including EDP	$45,223,925
Replacement cost ($1,000 deductible)	
Violence Coverage	1,000,000
Automotive Liability	
Comprehensive deductibles: buses - $1,000, all other - $250	
Collision deductible: buses - $1,000, all other - $500	3,000,000
Uninsured / Underinsured Motorist Bodily Injury	1,000,000
General Liability	
Per Occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2019.

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2019, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program Plan (the "Plan"). This Plan was created as a result of Amended House Bill 222 that mandated the creation of the Workers Compensation Group Rating Program Plan as defined in the Ohio Revised Code Section 4123.29. The intent of the Plan is to permit employers to Group together to potentially achieve a lower premium rate that they may not otherwise be able to acquire as individual employers.

The workers' compensation experience of the participating Districts is calculated, and the District is then placed in the level/tier for which they qualify based on a number of factors. Each participant pays its workers' compensation premium to the state based on the rate for the Plan level/tier rather than its individual rate. Participation in the Plan is limited to Districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

C. Employee Medical

The District is a member of the Southwestern Ohio Educational Purchasing Council and currently participates in their Medical Insurance Program. This program provides the district with two Plans which consist of a PPO Plan and an HDP both of which are insured with Anthem. Dental Coverage is provided by CoreSource and Vision Insurance is provided by VSP. These plans are for active employees and their covered dependents.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $219,841 for fiscal year 2019.

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $765,783 for fiscal year 2019.

Net Pension Liability

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

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04555770%	0.04453666%	
Proportion of the net pension liability current measurement date	0.04851740%	0.04550097%	
Change in proportionate share	0.00295970%	0.00096431%	
Proportionate share of the net pension liability	$ 2,778,681	$ 10,004,642	$ 12,783,323

Actuarial Assumptions - SERS

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 3,913,982	$ 2,778,681	$ 1,826,808

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 is presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 14,610,462	$ 10,004,642	$ 6,106,440

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was $25,623.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $33,765 for fiscal year 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 or by calling (888) 227-7877.

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

Net OPEB Liability/Asset

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.04627200%	0.04453666%	
Proportion of the net OPEB liability/asset current measurement date	0.04902660%	0.04550097%	
Change in proportionate share	0.00275460%	0.00096431%	
Proportionate share of the net OPEB liability	$ 1,360,130	$ -	$ 1,360,130
Proportionate share of the net OPEB asset	$ -	$ (731,154)	$ (731,154)

Actuarial Assumptions - SERS

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, 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. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) 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%)
District's proportionate share of the net OPEB liability	$ 1,650,411	$ 1,360,130	$ 1,130,282

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	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 %)
District's proportionate share of the net OPEB liability	$ 1,097,376	$ 1,360,130	$ 1,708,065

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, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% 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% was used to measure the total OPEB asset as of June 30, 2018.

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower 6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	$ (626,668)	$ (731,154)	$ (818,970)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ (814,013)	$ (731,154)	$ (647,005)

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, 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 receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary) rather than an assigned fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the budgetary basis statement to the cash basis statement:

Net Change in Fund Balance

	General fund
Budgetary basis	$ 175,316
Funds budgeted elsewhere **	6,180
Adjustment for encumbrances	50,411
Cash basis	$ 231,907

**The uniform school supplies, rotary fund and public school support fund are legally budgeted as separate special revenue funds; however, they are considered part of the general fund for financial reporting purposes.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As a result of the adjustments, the District owed $1,566 to ODE. This amount has not been included in the financial statements.

NOTE 15 - SET-ASIDES

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

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

	Capital Improvements
Set-aside balance June 30, 2018	$ -
Current year set-aside requirement	215,248
Current year qualifying disbursements	(123,175)
Current year offsets	(235,785)
Total	$ (143,712)
Balance carried forward to fiscal year 2020	$ -
Set-aside balance June 30, 2019	$ -

NOTE 16 - OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	$ 52,211
Nonmajor governmental funds	173,707
Total	$ 225,918

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

West Liberty-Salem Local School District
Champaign County
7208 North U.S. Highway 68
West Liberty, Ohio 43357

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the West Liberty-Salem Local School District, Champaign County, (the District) as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted that the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-002 and 2020-003 to be material weaknesses.

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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

December 10, 2020

SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019

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

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.38(A) provides, in part, that each public office, other than a state agency, "shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office." Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

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

Officials' Response:

At the West Liberty-Salem Regular Meeting held June 18, 2013 the Board of Education determined that the cost of preparing the GAAP (Generally Accepted Accounting Principles) financial statements significantly exceeds the cost of the non-GAAP financial statements. In the judgement of the School District, the application of GAAP, which exists principally as a guide to entities other than local governments (e.g., for-profit businesses), does not produce financial statements that are materially more accurate that non-GAAP financial statements. In light of the higher cost, absence of a material benefit, and lack of state aid to pay for the cost of having GAAP financial statements produced, the School District has chosen to return to the use of non-GAAP financial statements effective for the FY 2013 audit and all future years. The Board of Education and the School District are aware that this change could create a non-compliance finding in the audit report, however it is also aware that this change will save the district in excess of $6,000/year when compared to the cost of preparing GAAP financial statements for the purpose of the audit.

FINDING NUMBER 2020-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

FINDING NUMBER 2020-002
(Continued)

In fiscal year 2020, the District issued $6,811,208 in series 2020A general obligation bonds to refund $6,865,000 of the Series 2013A general obligation bonds and issued $2,499,970 in Series 2020B general obligation bonds to refund $2,500,000 of the Series 2013B general obligation bonds. The debt refunding activity was not included in the accounting system nor on the District's financial statements due to incomplete information during the compilation. The accompanying financial statements and notes have been adjusted to correct the misstatements.

The failure to properly classify and record financial activity in the accounting records and financial statements may impact the users' understanding of the financial operations and the Board's and management's ability to make sound financial decisions.

The District should establish and implement additional procedures to provide assurance over the completeness and accuracy of information reported within the financial statements. The misstatements should be reviewed by the Treasurer to verify similar errors are not reported on the financial statements in subsequent years.

Officials' Response:

The District refunded its Series 2013 A&B bonds during fiscal year 2020 with the Series 2020 A&B bonds in order to save the District and its taxpayers future interest costs. The District reports on the cash-basis of accounting and the refunding transaction netted to $0 which resulted in no actual cash-basis receipts or disbursements related to the refunding being accounted for by the District until a refund check was given to the District in September 2020, subsequent to the fiscal year end. The District sent all the documents relating to the refunding transaction to the report compilers. However, the refunding documents were not initially received by the District's report compilers due to the size of the file being blocked by the e-mail server. No cash-basis bond receipts or refunding transaction disbursements were included in the District's cash-basis activity for fiscal year 2020 and, thus, the activity and note disclosures were excluded from the initial, unaudited version of the cash-basis financial statements. Once made aware of the exclusion, the report compilers promptly updated the report for the auditors. These financial statements and note disclosures now report the refunding transaction in the proper way. In the future, Management will coordinate with the District's report compliers to ensure similar errors are not made prior to the filing of its cash-basis financial statements.

FINDING NUMBER 2020-003

Material Weakness – Athletic Receipts

Cash is the asset most susceptible to theft and misappropriation. Management is responsible for the design and implementation of any internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The District prepared a Total Game Receipt Record (the Record) for each gate at athletic events in which an admission fee was charged. The Record included the beginning and ending ticket numbers, the number of tickets sold, the price per ticket, total receipts, and a reconciliation of total receipts to net receipts, or total cash less start-up cash.

FINDING NUMBER 2020-003
(Continued)

Admissions to nine events were tested for fiscal year 2020. Six of the Records had reconciling errors where the beginning or ending ticket numbers were altered to force the Record to agree to the deposit slip. In addition, the District had a money count sheet filled out by the ticket takers that indicated the different kinds of bills, coins, and checks included in the drawer at the end of the night. That sheet was also used to reconcile the money collected and included the start-up cash amount. Two of the total money count sheets were altered in some way; mainly with a change in start-up cash. Some money count sheets included signatures, while others did not. The Record forms included a space for the Athletic Director's signature; however none of them were signed. As a result of alterations of ticket forms and lack of controls, additional procedures were performed to substantiate athletic revenues for the District.

Failure to accurately complete the Record for athletic events charging admission could lead to errors and/or irregularities that could go undiscovered in the normal course of business. Receipt shortages could result in findings for recovery against the personnel responsible for collecting and/or recording the receipts.

The District should establish and implement policies and procedures to verify proper forms are utilized, completed, verified, monitored, and reconciled. In the event there are discrepancies, the District should perform investigations and document the results. Additionally, the following should be implemented:

- Athletic Director should complete top portion of the Record before each event.
- Ticket takers should complete all remaining sections of the Record at the end of each event.
- The ticket takers and Athletic Director should sign the Record after each event.
- An independent District employee should verify starting cash and beginning and ending ticket numbers documented on the Record and/or maintain beginning and ending tickets on the Record.
- The Athletic Director should reconcile the Record and investigate any discrepancies.

To reduce the risk of misappropriated assets and potential loss of funds, personnel independent of the collection of these receipts, along with the Board of Education, should monitor the implementation of the controls and procedures to verify processes are completed, documented, reconciled, and investigated.

Officials' Response:

West Liberty-Salem School takes very seriously the idea that cash transactions are very susceptible to higher risk, including those of the Athletic Department. The School District does have forms in place for Athletic Department transactions. Due to multiple events happening in the same night or over the course of the same weekend requiring multiple cash boxes, the start-up cash could be adjusted in order to accommodate other events. There was never a time that the start-up cash was not accounted for properly. It was needed for subsequent events, thus the reason for making the change on the form. Gate Workers take their responsibility with utmost care and understand the importance of the cash drawers. The School District has implemented an updated ticket report and will ensure the signatures are on each report, with any discrepancies independently reviewed and researched.

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TIGERS WEST LIBERTY-SALEM
LOCAL SCHOOL DISTRICT

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	**Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B)-** Failure to report on GAAP	Not Corrected	Re-Issued as Finding 2020-001 See Officials' Response in Schedule of Findings.

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OHIO AUDITOR OF STATE
KEITH FABER

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 1/26/2021

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