FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

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BROWN COUNTY

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INDEPENDENT AUDITOR'S REPORT

Fayetteville-Perry Local School District
Brown County
551 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 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

Keith Faber
Auditor of State

Columbus, Ohio

April 28, 2020

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

Financial Highlights

- The School District's net position increased $920,705 during this fiscal year's operations.

- General revenues accounted for $7,814,137 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for $2,638,523, or 25 percent of total revenues of $10,452,660.

- The School District had $9,531,955 in expenses related to governmental activities; only $2,638,523, of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of $7,814,137 were adequate to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand Fayetteville-Perry Local School District as a whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Fayetteville-Perry Local School District are the General Fund and the Debt Service Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

Fiduciary 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. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities. The School District's private purpose trust fund accounts for college scholarship programs for students.

Table 1 provides a summary of the School District's net position for fiscal years 2019 and 2018:

Table 1
Net Position

	Governmental Activities	
	2019	2018*
Assets		
Current and Other Assets	$ 8,543,170	$ 7,600,716
Capital Assets, Net	22,385,605	23,084,186
Total Assets	30,928,775	30,684,902
Deferred Outflows of Resources		
Pensions and OPEB	2,531,023	2,658,686
Unamortized Deferred Amount on Refunding	256,122	273,786
Total Deferred Outflows of Resources	2,787,145	2,932,472
Liabilities		
Current and Other Liabilities	852,945	868,965
Long-Term Liabilities:		
Due Within One Year	301,073	341,264
Due in More than One Year:		
Net Pension Liabilities	8,412,028	8,615,296
Net OPEB Liabilities	947,064	1,970,923
Other Amounts	5,447,494	5,726,796
Total Liabilities	15,960,604	17,523,244
Deferred Inflows of Resources		
Pensions and OPEB	2,004,889	1,360,730
Property Taxes not Levied to Finance Current Year Operations	1,984,843	1,888,521
Total Deferred Inflows of Resources	3,989,732	3,249,251
Net Position		
Net Investment in Capital Assets	17,340,148	17,718,041
Restricted	2,711,289	2,423,514
Unrestricted	(6,285,853)	(7,296,676)
Total Net Position	$ 13,765,584	$ 12,844,879

* As restated, see Note 22 for additional information.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability is another significant liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Total net position of the School District as a whole increased $920,705. The increase to current and other assets is primarily due to an increase in cash with the School District at fiscal year-end, net OPEB asset, intergovernmental receivable and taxes receivable. The decrease in capital assets is due to current year depreciation expense and deletions, which were partially offset by current year additions. Deferred outflows of resources decreased primarily to pension and OPEB activity. Long-term liabilities decreased due primarily to net pension liabilities, net OPEB liabilities and principal payments on debt obligations. Deferred inflows of resources increased due primarily to pension and OPEB activity.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants and contributions. General Revenues include property taxes, unrestricted grants such as State foundation support, unrestricted gifts and donations, interest and miscellaneous revenues.

Table 2
Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program Revenues		
Charges for Services and Sales	$ 1,522,521	$ 1,584,493
Operating Grants and Contributions	1,116,002	979,562
Total Program Revenues	2,638,523	2,564,055
General Revenues		
Property Taxes	2,971,767	2,553,699
Grants and Entitlements Not Restricted to Specific Programs	4,664,396	4,674,217
Gifts and Donations Not Restricted to Specific Programs	2,403	3,157
Interest	101,553	66,263
Payments in Lieu of Taxes	2,630	-
Miscellaneous	71,388	176,622
Total General Revenues	7,814,137	7,473,958
Total Revenues	10,452,660	10,038,013
Program Expenses		
Instruction:		
Regular	3,511,427	1,820,804
Special	1,295,465	910,562
Vocational	121,912	1,921
Student Intervention Services	1,909	1,909
Other	339,901	361,120
Support Services:		
Pupils	458,480	255,031
Instructional Staff	334,449	188,584
Board of Education	63,585	55,770
Administration	612,353	202,173
Fiscal	359,434	280,212
Operation and Maintenance of Plant	1,037,551	866,601
Pupil Transportation	535,100	453,190
Central	33,352	11,611
Operation of Non-Instructional Services:		
Food Services	447,713	424,475
Extracurricular Activities	229,793	175,633
Interest and Fiscal Charges	149,531	280,189
Total Expenses	9,531,955	6,289,785
Change in Net Position	920,705	3,748,228
Net Position, Beginning of Year - As Restated	12,844,879	9,096,651
Net Position, End of Year	$ 13,765,584	$ 12,844,879

Net position increased by $920,705 in fiscal year 2019. Revenues reflect an increase in the amount of $414,647 from fiscal year 2018 to fiscal year 2019. This increase was due primarily to an increase in property tax revenues. Property tax revenue increased due to an increase in the amount available as an advance.

Instruction comprises approximately 55 percent of governmental program expenses and support services make up approximately 36 percent of the program expense of the School District. Overall, program expenses of the School District increased $3,242,170. The increase in expenses is primarily due to pension and OPEB activity.

The DeRolph III decision has not eliminated the dependence on property taxes. Property taxes made up approximately 28 percent of revenues for governmental activities for the School District in fiscal year 2019.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019		2018	
Program Expenses				
Instruction:				
Regular	$ 3,511,427	$ 2,973,590	$ 1,820,804	$ 1,437,498
Special	1,295,465	491,092	910,562	148,674
Vocational	121,912	51,905	1,921	(46,075)
Student Intervention Services	1,909	1,557	1,909	1,277
Other	339,901	277,187	361,120	241,511
Support Services:				
Pupils	458,480	373,936	255,031	170,647
Instructional Staff	334,449	280,498	188,584	132,692
Board of Education	63,585	51,853	55,770	37,298
Administration	612,353	448,397	202,173	116,591
Fiscal	359,434	295,624	280,212	194,678
Operation and Maintenance of Plant	1,037,551	830,148	866,601	616,725
Pupil Transportation	535,100	525,911	453,190	322,493
Central	33,352	27,198	11,611	7,765
Operation of Non-Instructional Services	447,713	28,368	424,475	55,789
Extracurricular Activities	229,793	86,637	175,633	7,978
Interest and Fiscal Charges	149,531	149,531	280,189	280,189
Total	$ 9,531,955	$ 6,893,432	$ 6,289,785	$ 3,725,730

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2019, only 25 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 75 percent is provided through taxes, entitlements and other general revenues.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $10,431,676 and expenditures and other financing uses of $10,104,132. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of $56,083. This increase was due to the revenues exceeding expenditures. The Debt Service fund net change in fund balance was an increase in the amount of $23,573.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2019, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the General Fund, final revenue budget estimates were $221,258 more than original budget estimates of $8,335,154, due to increases in intergovernmental and property tax revenues, which were partially offset by a decrease in miscellaneous revenues. Final budgeted expenditures were $686,235 more than original budget estimates of $8,133,548 due to increases in regular instruction, special instruction and operation and maintenance of plant services.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the School District had $22,385,605 invested in its capital assets. Table 4 shows the fiscal year 2019 balances compared to 2018.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

Governmental Activities

	2019	2018
Land and Land Improvements	$ 1,104,708	$ 1,165,809
Buildings and Improvements	20,829,878	21,408,829
Furniture, Fixtures, Equipment and Textbooks	269,355	309,293
Vehicles	181,664	200,255
Totals	$ 22,385,605	$ 23,084,186

See Note 9 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2019 the School District had $4,904,624 in a loan and bonds outstanding (excluding premium and accretion) with $272,406 due within one year. The net pension liability was $8,412,028 at June 30, 2019, while the net OPEB liability was $947,064.

The School District's overall legal debt margin was $7,325,150 with an unvoted debt margin of $114,537 at June 30, 2019. For more information on debt, refer to note 14 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Lisa Tussey, Treasurer, at Fayetteville-Perry Local School District, 551 S. Apple Street, Fayetteville, Ohio 45118-0281.

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Fayetteville-Perry Local School District
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$4,898,727
Cash and Cash Equivalents in Segregated Accounts	1,348
Accounts Receivable	2,640
Prepaid Items	7,301
Intergovernmental Receivable	226,116
Property Taxes Receivable	2,933,889
Noncurrent Assets	
Net OPEB Asset	473,149
Non-Depreciable Capital Assets	89,380
Depreciable Capital Assets, Net	22,296,225
Total Assets	30,928,775
Deferred Outflows of Resources:	
Pensions	2,348,837
OPEB	182,186
Unamortized Deferred Amount on Refunding	256,122
Total Deferred Outflows of Resources	2,787,145
Liabilities:	
Accounts Payable	23,834
Accrued Wages and Benefits Payable	649,368
Intergovernmental Payable	128,663
Matured Compensated Absences Payable	21,693
Accrued Interest Payable	29,387
Long-Term Liabilities:	
Due Within One Year	301,073
Due in More Than One Year	
Net Pension Liability (See Note 11)	8,412,028
OPEB Liability (See Note 12)	947,064
Other Amounts Due in More Than One Year	5,447,494
Total Liabilities	15,960,604
Deferred Inflows of Resources:	
Pensions	1,093,761
OPEB	911,128
Property Taxes not Levied to Finance Current Year Operations	1,984,843
Total Deferred Inflows of Resources	3,989,732
Net Position:	
Net Investment in Capital Assets	17,340,148
Restricted for:	
Capital Outlay	476,018
Debt Service	1,904,338
Classroom Facilities Maintenance	217,684
Other Purposes	113,249
Unrestricted	(6,285,853)
Total Net Position	$13,765,584

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$3,511,427	$533,896	$3,941	($2,973,590)
Special	1,295,465	197,949	606,424	(491,092)
Vocational	121,912	22,011	47,996	(51,905)
Student Intervention Services	1,909	352	0	(1,557)
Other	339,901	62,714	0	(277,187)
Support Services:				
Pupils	458,480	84,544	0	(373,936)
Instructional Staff	334,449	48,235	5,716	(280,498)
Board of Education	63,585	11,732	0	(51,853)
Administration	612,353	95,931	68,025	(448,397)
Fiscal	359,434	61,903	1,907	(295,624)
Operation and Maintenance of Plant	1,037,551	153,935	53,468	(830,148)
Pupil Transportation	535,100	9,189	0	(525,911)
Central	33,352	6,154	0	(27,198)
Operation of Non-Instructional Services:				
Food Services	447,713	150,647	268,698	(28,368)
Extracurricular Activities	229,793	83,329	59,827	(86,637)
Interest and Fiscal Charges	149,531	0	0	(149,531)
Total Governmental Activities	$9,531,955	$1,522,521	$1,116,002	(6,893,432)

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,181,704
Debt Service	434,346
Capital Outlay	319,739
Capital Maintenance	35,978
Grants and Entitlements not Restricted to Specific Programs	4,664,396
Gifts and Donations not Restricted	2,403
Interest	101,553
Payments In Lieu of Taxes	2,630
Miscellaneous	71,388
Total General Revenues	7,814,137
Change in Net Position	920,705
Net Position at Beginning of Year - As Restated, See Note 22	12,844,879
Net Position at End of Year	$13,765,584

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Balance Sheet

Governmental Funds

June 30, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$2,467,655	$1,765,409	$665,663	$4,898,727
Cash and Cash Equivalents in Segregated Accounts	0	0	1,348	1,348
Accounts Receivable	2,640	0	0	2,640
Interfund Receivable	111,556	0	0	111,556
Intergovernmental Receivable	32,805	0	193,311	226,116
Prepaid Items	7,093	0	208	7,301
Property Taxes Receivable	2,136,296	448,732	348,861	2,933,889
Total Assets	$4,758,045	$2,214,141	$1,209,391	$8,181,577
Liabilities:				
Accounts Payable	$23,834	$0	$0	$23,834
Accrued Wages and Benefits Payable	604,807	0	44,561	649,368
Interfund Payable	0	0	111,556	111,556
Intergovernmental Payable	117,508	0	11,155	128,663
Matured Compensated Absences Payable	21,693	0	0	21,693
Total Liabilities	767,842	0	167,272	935,114
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	1,441,656	309,803	233,384	1,984,843
Unavailable Revenue - Delinquent Taxes	62,504	12,501	10,393	85,398
Unavailable Revenue - Grants	0	0	81,756	81,756
Total Deferred Inflows of Resources	1,504,160	322,304	325,533	2,151,997
Fund Balances:				
Nonspendable	7,093	0	0	7,093
Restricted	0	1,891,837	756,416	2,648,253
Assigned	142,229	0	0	142,229
Unassigned	2,336,721	0	(39,830)	2,296,891
Total Fund Balances	2,486,043	1,891,837	716,586	5,094,466
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,758,045	$2,214,141	$1,209,391	$8,181,577

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		$5,094,466
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,385,605
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	85,398	
Intergovernmental	81,756	
		167,154
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions and OPEB	2,531,023	
Deferred inflows of resources realted to pensions and OPEB	(2,004,889)	
Net OPEB Asset	473,149	
Net OPEB Liability	(947,064)	
Net Pension Liability	(8,412,028)	
		(8,359,809)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(29,387)
Some liabilities and deferred outflows are not due and payable in the current period and therefore are not reported in the funds. Those liabilities and deferred outflows consist of:		
Bonds payable	(4,875,000)	
Bond premium	(396,955)	
Loans payable	(29,624)	
Unamortized deferred amount on refunding	256,122	
Compensated absences	(446,988)	
		(5,492,445)
Net Position of Governmental Activities		$13,765,584

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$2,188,471	$438,470	$356,922	$2,983,863
Intergovernmental	5,023,875	62,005	619,556	5,705,436
Interest	101,553	0	0	101,553
Tuition and Fees	1,321,871	0	0	1,321,871
Payments In Lieu of Taxes	2,630	0	0	2,630
Extracurricular Activities	14,579	0	55,592	70,171
Gifts and Donations	2,403	0	2,694	5,097
Customer Sales and Services	0	0	130,479	130,479
Miscellaneous	59,140	0	12,248	71,388
Total Revenues	8,714,522	500,475	1,177,491	10,392,488
Expenditures:				
Current:				
Instruction:				
Regular	3,567,197	0	7,281	3,574,478
Special	1,171,942	0	232,441	1,404,383
Vocational	153,605	0	0	153,605
Student Intervention Services	1,909	0	0	1,909
Other	339,118	0	0	339,118
Support Services:				
Pupils	492,746	0	0	492,746
Instructional Staff	274,448	0	51,040	325,488
Board of Education	63,585	0	0	63,585
Administration	605,761	0	80,796	686,557
Fiscal	317,695	12,802	11,123	341,620
Operation and Maintenance of Plant	832,055	0	80,731	912,786
Pupil Transportation	483,008	0	0	483,008
Central	33,137	0	0	33,137
Operation of Non-Instructional Services:				
Food Services	100,661	0	317,338	417,999
Extracurricular Activities	154,465	0	71,059	225,524
Capital Outlay	27,919	0	109,576	137,495
Debt Service:				
Principal Retirement	0	300,000	7,406	307,406
Interest and Fiscal Charges	0	164,100	0	164,100
Total Expenditures	8,619,251	476,902	968,791	10,064,944
Excess of Revenues Over (Under) Expenditures	95,271	23,573	208,700	327,544
Other Financing Sources (Uses):				
Transfers Out	(39,188)	0	0	(39,188)
Transfers In	0	0	39,188	39,188
Total Other Financing Sources (Uses)	(39,188)	0	39,188	0
Net Change in Fund Balances	56,083	23,573	247,888	327,544
Fund Balances at Beginning of Year	2,429,960	1,868,264	468,698	4,766,922
Fund Balances at End of Year	$2,486,043	$1,891,837	$716,586	$5,094,466

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

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

Net Change in Fund Balances - Total Governmental Funds		$327,544
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	137,495	
Depreciation expense	(836,076)	
Excess of depreciation expense over capital asset additions		(698,581)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Delinquent property taxes	(12,096)	
Intergovernmental	72,268	
		60,172
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Decrease in accrued interest payable	1,287	
Amortization of bond premium	30,946	
Amortization of deferred amount on refunding	(17,664)	
Increase in compensated absences payable	(18,859)	
		(4,290)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Bond principal payments	300,000	
Loan payments	7,406	
Total long-term debt repayment		307,406
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		645,390
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability (asset) are reported as pension/OPEB expense in the statement of activities.		283,064
Change in Net Position of Governmental Activities		$920,705

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Total Revenues and Other Financing Sources	$8,335,154	$8,556,412	$8,566,403	$9,991
Total Expenditures and Other Financing Uses	8,133,548	8,819,783	8,816,651	3,132
Net Change in Fund Balance	201,606	(263,371)	(250,248)	13,123
Fund Balance at Beginning of Year	2,383,250	2,383,250	2,383,250	0
Prior Year Encumbrances Appropriated	158,708	158,708	158,708	0
Fund Balance at End of Year	$2,743,564	$2,278,587	$2,291,710	$13,123

See accompanying notes to the basic financial statements. .

Fayetteville-Perry Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$16,301	$39,478
Liabilities:		
Undistributed Monies	0	$39,478
Net Position:		
Held in Trust for Scholarships	$16,301	

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
	Scholarship
Additions:	
Interest	$313
Total Additions	313
Deductions:	
Payments in Accordance with Trust Agreements	500
Change in Net Position	(187)
Net Position at Beginning of Year	16,488
Net Position at End of Year	$16,301

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 3 non-certificated employees and 62 certificated personnel employees who provide services to 841 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity:

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the Hamilton Clermont Cooperative Information Technology Center (HCC), the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in notes 16, 17, and 18 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

> *Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. The major source of revenue for this fund is property taxes.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities and deferred inflows/outflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements:

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows of resources related to unamortized deferred amounts on refunding, the recording of deferred inflows and outflows of resources related to net pension and net OPEB liabilities (assets), and the recording of net pension and net OPEB liabilities (assets).

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds, pensions, and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Notes 11 and 12. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period, pensions, and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension and other postemployment benefits are only reported on the Statement of Net Position. (See Notes 11 and 12)

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2019, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transaction to $100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to $101,553 and $313 in the Private Purpose Trust Fund.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of $2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Estimated Lives
Land Improvements	5 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years

G. Bond Premiums/Issuance Costs/ Gain or Loss on Advance Refunding

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas bond issuance costs are expensed in the year incurred.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow/outflow of resources on the Statement of Net Position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination payments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year and will be paid with available financial resources. Bonds that will be paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

J. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred inflows and outflows related to the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's $2,711,289 in restricted net position, none is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Interfund Transactions and Balances

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

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" or as "interfund receivable/payable." All unpaid reimbursements between funds are reported as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net position.

L. Estimates

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

M. Budgetary Process

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

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

O. Pensions and Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension 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.

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

NOTE 3 - FUND BALANCES

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

Fund Balances	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid Items	$7,093	$0	$0	$7,093
Restricted for				
Other Purposes	0	0	73,107	73,107
Classroom Facilities Maintenance	0	0	216,666	216,666
Debt Services Payments	0	1,891,837	0	1,891,837
Capital Improvements	0	0	466,643	466,643
Total Restricted	0	1,891,837	756,416	2,648,253
Assigned to				
Other Purposes	142,229	0	0	142,229
Unassigned (Deficit)	2,336,721	0	(39,830)	2,296,891
Total Fund Balances	$2,486,043	$1,891,837	$716,586	$5,094,466

NOTE 4 - ACCOUNTABILITY

At June 30, 2019, the Lunchroom, Title VI-B, Title I, and Title II-A Special Revenue Funds had deficit fund balances in the amounts of $12,778, $13,641, $13,392, and $19, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance

	General
GAAP Basis	$56,083
Adjustments:	
Revenue Accruals	(94,787)
Expenditure Accruals	(44,581)
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	(12,680)
Encumbrances	(154,283)
Budget Basis	($250,248)

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board 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 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 monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

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;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

7. The State Treasurer's investment pool (STAR Ohio);

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $498,466 of the School District's bank balance of $748,466 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Investments

As of June 30, 2019, the School District had the following investment, which is in an internal investment pool:

	Fair Value	Weighted Average Maturity (Years)
STAR Ohio	$ 4,392,635	< 1 year
Total Investment	$ 4,392,635	

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. As discussed further in Note 2E, STAR Ohio is reported at its share price.

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk beyond the requirements of State statute. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in STAROhio were rated AAAm by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District invests only in investments that are allowable per the Ohio Revised Code. The School District has invested 100 percent in STAROhio. The School District has no investment policy.

Custodial Credit Risk

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

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien 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 currently is assessed at varying percentages of true value.

NOTE 7 - PROPERTY TAXES (continued)

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

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2019, was $863,648 and is recognized as revenue: $632,136 in the General Fund, $126,428 in the Bond Retirement Debt Service Fund and $105,084 in the Other Governmental Funds.

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

	2018 First-Half Collections		2019 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 102,832,950	97.01%	$ 111,124,810	97.02%
Public Utility	3,164,760	2.99%	3,412,000	2.98%
Total Assessed Value	$ 105,997,710	100.00%	$ 114,536,810	100.00%
Tax rate per $1,000 of assessed valuation	$ 35.90		$ 35.90	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019, consisted of accounts, intergovernmental grants, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Total
General Fund	$ 32,805
Non-Major Funds:	
Title VI-B Fund	86,260
Chapter I/Title I Fund	97,253
Title II-A	4,369
Miscellaneous Federal Grant Fund	5,429
Total Non-Major Funds	193,311
Total Intergovernmental Receivable	$ 226,116

NOTE 9 - CAPITAL ASSETS

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

Governmental Activities	Balance at 6/30/2018*	Additions	Deletions	Balance at 6/30/2019
Capital Assets, Not Being Depreciated				
Land	$ 89,380	$ -	$ -	$ 89,380
Total Capital Assets, Not Being Depreciated	89,380	-	-	89,380
Capital Assets, Being Depreciated				
Land Improvements	2,429,661	42,620	-	2,472,281
Buildings and Building Improvements	26,726,695	32,133	-	26,758,828
Furniture, Fixtures, Equipment and Textbooks	1,517,689	46,291	(108,329)	1,455,651
Vehicles	1,114,583	16,451	(126,310)	1,004,724
Total Capital Assets, Being Depreciated	31,788,628	137,495	(234,639)	31,691,484
Accumulated Depreciation				
Land Improvements	(1,353,232)	(103,721)	-	(1,456,953)
Buildings and Building Improvements	(5,317,866)	(611,084)	-	(5,928,950)
Furniture, Fixtures, Equipment and Textbooks	(1,208,396)	(86,229)	108,329	(1,186,296)
Vehicles	(914,328)	(35,042)	126,310	(823,060)
Total Accumulated Depreciation	(8,793,822)	(836,076)	234,639	(9,395,259)
Total Capital Assets Being Depreciated, Net	22,994,806	(698,581)	-	22,296,225
Governmental Activities Capital Assets, Net	$ 23,084,186	$ (698,581)	$ -	$ 22,385,605

* Amount restated, see Note 22 for additional information.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$610,487
Special	1,890
Vocational	2,616
Support Services:	
Pupils	262
Instructional Staff	21,980
Administration	11,623
Operation and Maintenance of Plant	122,513
Pupil Transportation	37,039
Operation of Non-Instructional Services	19,265
Extracurricular Activities	8,401
Total	$836,076

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted with the Ohio School Plan for general liability insurance with a $2,000,000 single occurrence limit and a $4,000,000 aggregate. Property is protected by the Ohio School Plan and holds no deductible.

The School District's vehicles are covered by the Ohio School Plan under a business policy and hold a $1,000 deductible for comprehensive and collision, with a $2,000,000 limit on any accident.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction of coverage from the prior fiscal year.

B. Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement managed provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 17) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 11- DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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 and OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

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

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

The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The School District's contractually required contribution to SERS was $149,491 for fiscal year 2019. Of this amount $10,722 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

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

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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was $466,435 for fiscal year 2019. Of this amount $80,488 is reported as an intergovernmental payable.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0338345%	0.02944486%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0319724%	0.02822545%	
Change in Proportionate Share	0.0018621%	0.00121941%	
Proportion of the Net Pension Liability	$ 1,937,764	$ 6,474,264	$ 8,412,028
Pension Expense (Gain)	$ 152,971	$ 490,204	$ 643,175

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ 106,274	$ 149,446	$ 255,720
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	56,547	225,005	281,552
Changes of assumptions	43,759	1,147,362	1,191,121
School District contributions subsequent to the measurement date	141,752	478,692	620,444
Total	$ 348,332	$ 2,000,505	$ 2,348,837

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ -	$ 42,281	$ 42,281
Differences between projected and actual investment earnings	53,690	392,592	446,282
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	120,237	484,961	605,198
Total	$ 173,927	$ 919,834	$ 1,093,761

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$620,444 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 122,501	$ 442,059	$ 564,560
2021	17,676	226,543	244,219
2022	(91,058)	27,786	(63,272)
2023	(16,466)	(94,409)	(110,875)
Total	$ 32,653	$ 601,979	$ 634,632

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:

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

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (continued)

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	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 Estate	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$2,729,487	$1,937,764	$1,273,958

Assumptions and Benefit Changes Since the Prior Measurement Date - With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Payroll Increases	3.0%
Investment Rate of Return	7.45 percent, net of investment expenses
Discount Rate of Return	7.45%
Cost-of-Living Adjustments (COLA)	0%

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

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's 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, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's 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 payments to determine the total pension liability as of June 30, 2018.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$9,454,810	$6,474,264	$3,951,636

Assumptions and Benefit Changes Since the Prior Measurement Date **-** There were no changes in assumptions or benefit terms since the prior measurement date.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2019, two members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - DEFINED BENEFIT OPEB PLANS

See Note 11 for a description of the net OPEB liability (asset).

School Employees Retirement System

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

School Employees Retirement System (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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $19,698.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $25,232 for fiscal year 2019.

State Teachers Retirement System

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset)

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.03240520%	0.02822545%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	0.03413740%	0.02944486%	
Change in Proportionate Share	0.00173220%	0.00121941%	
Proportionate Share of the Net OPEB Liability	$947,064	$0	$947,064
Proportionate Share of the Net OPEB (Asset)	$0	($473,149)	($473,149)
OPEB Expense (Gain)	$100,462	($1,026,704)	($926,242)

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

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ 15,459	$ 55,264	$ 70,723
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	43,062	43,455	86,517
School District contributions subsequent to the measurement date	24,946	0	24,946
Total	$ 83,467	$ 98,719	$ 182,186

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$0	$27,567	$27,567
Differences between projected and actual investment earnings	1,421	54,054	55,475
Changes of assumptions	116,586	644,702	761,288
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	28,307	38,491	66,798
Total	$ 146,314	$ 764,814	$ 911,128

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (continued)

$24,946 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	($42,753)	($120,601)	($163,354)
2021	(38,892)	(120,601)	(159,493)
2022	(19,108)	(120,601)	(139,709)
2023	5,438	(108,327)	(102,889)
2024	5,338	(104,019)	(98,681)
Thereafter	2,184	(91,946)	(89,762)
Total	($87,793)	($666,095)	($753,888)

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)

Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Valuation Date	June 30, 2018
Actuarial Assumptions Experience Study Date	5 year period ended June 30, 2015
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation
Price Inflation	3.00%
Salary increases, including price inflation	3.50% - 18.20%
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	3.63%
Measurement Date	3.70%
Medical Trend Assumption	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

Mortality Assumptions - 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 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:

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 %	

NOTE 12 - DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – SERS (continued)

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, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%).

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	$1,149,187	$947,064	$787,020

The following table presents the OPEB liability of SERS, 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 (6.25% decreasing to 3.75%)	Current Trend Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$764,107	$947,064	$1,189,332

Assumptions and Benefit Changes Since the Prior Measurement Date - The following changes in key methods and assumptions as presented below:

(1) Discount Rate:

Prior Measurement Date	3.63%
Measurement Date	3.70%

(2) Municipal Bond Index Rate:

Prior Measurement Date	3.56%
Measurement Date	3.62%

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

Prior Measurement Date	3.63%
Measurement Date	3.70%

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 June 30, 2018, actuarial valuation are presented below:

Projected Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.45%	
Health Care Cost Trends	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.

Mortality Rates — 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.

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

Investment Return Assumptions —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 Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

NOTE 12 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions – STRS (continued)

Discount Rate The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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) liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB liability (asset)	($405,533)	($473,149)	($529,977)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB (asset)	($526,769)	($473,149)	($418,694)

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 1.9% 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. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for teachers, administrators, and classified employees. will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

NOTE 13 - EMPLOYEE BENEFITS (continued)

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Guardian Life Insurance. Vision insurance is provided by the School District to all employees through Vision Service Plan.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Amount Outstanding 6/30/18	Additions	Deductions	Amount Outstanding 6/30/19		Due in One Year
School Improvement Refunding Bonds 2006						
3.75 - 4.5%	$ 40,000	$ -	$ (40,000)	$ -		$ -
Premium on Refunding	3,570	-	(3,570)	-		-
School Improvement Refunding Bonds 2014						
1.00 - 4.00%	5,135,000	-	(260,000)	4,875,000		265,000
Premium on Refunding	424,331	-	(27,376)	396,955		-
Loan for Land Purchase	37,030	-	(7,406)	29,624		7,406
Total Long-Term Bonds and Loans	5,639,931	-	(338,352)	5,301,579		272,406
Net Pension Liability:						
STRS	6,705,016	-	(230,752)	6,474,264		-
SERS	1,910,280	27,484	-	1,937,764		-
Total Net Pension Liablity	8,615,296	27,484	(230,752)	8,412,028		-
Net OPEB Liability:						
STRS	1,101,253	-	(1,101,253)	-	(a)	-
SERS	869,670	77,394	-	947,064		-
Total Net OPEB Liablity	1,970,923	77,394	(1,101,253)	947,064		-
Compensated Absences	428,129	598,692	(579,833)	446,988		28,667
Total General Long-Term Obligations	$ 16,654,279	$ 703,570	$ (2,250,190)	$ 15,107,659		$ 301,073

(a) OPEB for STRS has a Net OPEB asset in the amount of $473,149 as of June 30, 2019.

School Improvement Refunding Bonds 2006

The School District issued $8,850,000 in general obligation bonds for the purpose of retiring the Classroom Facilities Bond Anticipation Notes. The Classroom Facilities Bond Anticipation Notes were originally issued for the purpose of renovating the middle school building and constructing a new building for grades six through twelve. $5,195,000 of the Bonds were defeased with the proceeds from the refunding bonds during the fiscal year 2015. The remaining $1,090,000 was retired with property taxes from the Debt Service Fund in December 2018.

School Improvement Refunding Bonds 2014

The School District issued $5,194,997 in general obligation bonds, advance refunding $5,195,000 of the School Improvement Refunding Bonds, Series 2006. The bonds were issued for a 19 year period with final maturity on December 1, 2033. The bonds are being retired with property taxes from the Debt Service Fund.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The advance refunding of the 2006 School Improvement Bonds resulted in a difference of $335,610 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method.

The School District defeased $5,195,000 of the 2006 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds were not included in the School District's financial statements and have been paid in full.

The 2014 bonds are broken out as follows. $4,495,000 are current interest (serial) bonds to be redeemed over a period through December 1, 2033. $690,000 are current interest (term) bonds to be redeemed on December 1, 2029. $9,997 are capital appreciation bonds of which $4,027 matured on December 1, 2016 and the other $5,970 matured December 1, 2017. These bonds have an equivalent interest rate of 178.10540% and one matured at full value of $50,000 on December 1, 2016 and the other matured at full value of $265,000 on December 1, 2017.

The current interest (term) bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year	Amount
2029	$340,000
2030	350,000
Total	$690,000

On September 9, 2013, the District entered into a real estate purchase agreement with David and Sandra Brinkman for the purpose of acquiring 10.58 acres of land. The loan totaled $74,060 and is to be paid over ten years in installments of $7,406 maturing in fiscal year 2023. The loan will be paid from the permanent improvement fund. This land was purchased for the purpose of generating power provided by Solar Advocate Development-31, LLC from solar panels placed on the land. The solar panels used will remain owned by Solar Advocate Development-31, LLC; however, the power generated will be used and charged to the District for a discounted rate.

Principal and interest requirements to retire the school improvement refunding bonds outstanding and the land purchase loan at June 30, 2019 are as follows:

	School Improvement Refunding Bonds 2014		Land Purchase Loan	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Total
2020	$ 265,000	$ 158,000	$ 7,406	$ 430,406
2021	270,000	152,650	7,406	430,056
2022	280,000	147,150	7,406	434,556
2023	285,000	140,788	7,406	433,194
2024	290,000	132,875	-	422,875
2025-2029	1,590,000	522,088	-	2,112,088
2030-2034	1,895,000	195,500	-	2,090,500
Total	$ 4,875,000	$ 1,449,051	$ 29,624	$ 6,353,675

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was $7,325,150 with an unvoted debt margin of $114,537 at June 30, 2019.

NOTE 15 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2019, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	$111,556	$0
Non-major Funds:		
Title II-A	0	4,121
Special Education	0	72,000
Miscellaneous Federal Grants	0	5,429
Title I	0	30,006
Total	$111,556	$111,556

The interfund receivables in the General fund are the result of the School District moving unrestricted monies to a grant fund which operates on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue fund.

Interfund Transfers

Transfers were made from the unrestricted revenues collected in the General Fund to the District Managed Activity and the Lunchroom non-major special revenue funds to finance programs within these funds in the amount of $10,200 and $28,988 respectively.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Hamilton Clermont Cooperative Information Technology Center

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization among a two-county consortium of school districts. HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee is the managerial body responsible for directing and supervising the daily operation of HCC. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each county educational service center (ESC), one treasurer from each county, and the treasurer from each county ESC serving as on-voting ex officio members. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

B. Southern Hills Joint Vocational School District

The Southern Hills Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. It is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School District. A board member is appointed by each local Board of Education within the Southern Hills Joint Vocational School District, including Fayetteville-Perry Local School District. To obtain financial information, write to the Southern Hills Joint Vocational School District, Kari Barnes, who serves as Treasurer, at 9193 Hamer Road, Georgetown, Ohio 45121.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Unified Purchasing Cooperative of the Ohio River Valley

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of public school districts, joint vocational school districts, and educational service centers in Brown, Butler, Clermont, Hamilton, and Warren Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent.

Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

NOTE 17 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville–Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg–Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership.

For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231 Hamer Rd., Georgetown, Ohio 45121.

NOTE 18 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2018	$0
Current Year Set-aside Requirement	155,900
Current Year Offsets	(155,900)
Total	$0
Balance Carried Forward to Fiscal Year 2020	$0
Set Aside Reserve Balance as of June 30, 2019	$0

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

NOTE 20 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is not party to any legal proceedings.

NOTE 20 – CONTINGENCIES (continued)

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 21 –COMMITMENTS

Encumbrances

At June 30, 2019, the School District had significant encumbrance commitments in the following governmental funds:

Fund	Amount
Major Fund:	
General	$154,283
Non-Major Fund:	
Permanent Improvement	75,392
Total Encumbrances	$229,675

NOTE 22 – NEW ACCOUNTING PRINCIPLES/RESTATEMENT OF BALANCES

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

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

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

The School District corrected their capital asset balance as of the beginning of fiscal year 2019 to properly record depreciation in the previous fiscal year. This correction resulted in an increase in beginning net position from $12,697,597 to $12,844,879.

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

	2019	2018	2017	2016	2015	2014
Total plan pension liability	$ 19,997,700,966	$ 19,588,417,687	$ 19,770,708,121	$ 18,503,280,961	$ 17,881,827,171	$ 17,247,161,078
Plan net position	14,270,515,748	13,613,638,590	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	5,727,185,218	5,974,779,097	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0338345%	0.0319724%	0.0340872%	0.0354184%	0.0363170%	0.0363170%
School District's proportionate share of the net pension liability	$ 1,937,764	$ 1,910,280	$ 2,494,869	$ 2,021,008	$ 1,837,983	$ 2,159,655
School District's covered payroll	$ 1,088,896	$ 1,071,950	$ 1,058,621	$ 1,066,244	$ 1,109,733	$ 1,503,656
School District's proportionate share of the net pension liability as a percentage of its covered payroll	177.96%	178.21%	235.67%	189.54%	165.62%	143.63%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

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

	2019	2018	2017	2016	2015	2014
Total plan pension liability	$ 96,904,056,552	$ 96,126,440,462	$ 100,756,422,489	$ 99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	74,916,301,830	72,371,226,119	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	21,987,754,722	23,755,214,343	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.02944486%	0.02822545%	0.02923305%	0.03131352%	0.03077889%	0.03077889%
School District's proportionate share of the net pension liability	$ 6,474,264	$ 6,705,016	$ 9,785,183	$ 8,654,141	$ 7,486,491	$ 8,917,859
School District's covered payroll	$ 3,347,386	$ 3,103,043	$ 3,075,879	$ 3,267,043	$ 3,144,846	$ 3,282,254
School District's proportionate share of the net pension liability as a percentage of its covered payroll	193.41%	216.08%	318.13%	264.89%	238.06%	271.70%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.29%	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2014 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 149,491	$ 147,001	$ 150,073	$ 148,207	$ 140,531	$ 146,263	$ 208,106	$ 129,034	$ 120,552	$ 192,643
Contributions in relation to the contractually required contribution	(149,491)	(147,001)	(150,073)	(148,207)	(140,531)	(146,263)	(208,106)	(129,034)	(120,552)	(192,643)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered payroll	$ 1,107,341	$ 1,088,896	$ 1,071,950	$ 1,058,621	$ 1,066,244	$ 1,109,733	$ 1,503,656	$ 959,361	$ 959,045	$ 1,422,770
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 466,435	$ 468,634	$ 434,426	$ 430,623	$ 457,386	$ 408,830	$ 426,693	$ 412,553	$ 416,512	$ 477,427
Contributions in relation to the contractually required contribution	(466,435)	(468,634)	(434,426)	(430,623)	(457,386)	(408,830)	(426,693)	(412,553)	(416,512)	(477,427)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 3,331,679	$ 3,347,386	$ 3,103,043	$ 3,075,879	$ 3,267,043	$ 3,144,846	$ 3,282,254	$ 3,173,485	$ 3,203,938	$ 3,672,515
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

School Employees Retirement System of Ohio

Last Three Years (1)

	2019	2018	2017
Total plan OPEB liability	$ 3,209,899,769	$ 3,065,846,821	$ 3,220,574,434
Plan net position	435,629,637	382,109,560	370,204,515
Net OPEB liability	2,774,270,132	2,683,737,261	2,850,369,919
School District's proportion of the net OPEB liability	0.03413740%	0.03240520%	0.03452670%
School District's proportionate share of the net OPEB liability	$ 947,064	$ 869,670	$ 984,139
School District's covered payroll	$ 1,088,896	$ 1,071,950	$ 1,058,621
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	86.97%	81.13%	92.96%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)

State Teachers Retirement System of Ohio

Last Three Years (1)

	2019	2018	2017
Total plan OPEB liability	$ 2,114,451,000	$ 7,377,410,000	$ 8,533,654,000
Plan net position	3,721,349,000	3,475,779,000	3,185,628,000
Net OPEB liability (asset)	(1,606,898,000)	3,901,631,000	5,348,026,000
School District's proportion of the net OPEB liability (asset)	0.02944486%	0.02822545%	0.02923305%
School District's proportionate share of the net OPEB liability (asset)	$ (473,149)	$ 1,101,253	$ 1,563,391
School District's covered payroll	$ 3,347,386	$ 3,103,043	$ 3,075,879
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-14.13%	35.49%	50.83%
Plan fiduciary net position as a percentage of the total OPEB liability	176.00%	47.11%	37.33%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to required supplementary information.

Required Supplementary Information
Schedule of School District Contributions for OPEB
School Employees Retirement System of Ohio
Last Four Years (1)

	2019	2018	2017	2016
Contractually required contribution	$ 25,232	$ 23,051	$ 17,479	$ 17,398
Contributions in relation to the contractually required contribution	(25,232)	(23,051)	(17,479)	(17,398)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District's covered payroll	$ 1,107,341	$ 1,088,896	$ 1,071,950	$ 1,058,621
Contributions as a percentage of covered payroll	2.28%	2.12%	1.63%	1.64%

(1) Information prior to 2016 is not available.

See accompanying notes to required supplementary information.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Contributions for OPEB
State Teachers Retirement System of Ohio
Last Four Years (1)

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School District covered payroll	$ 3,331,679	$ 3,347,386	$ 3,103,043	$ 3,075,879
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2016 is not available.

See accompanying notes to required supplementary information.

Pension

School Employees Retirement System (SERS)

Changes in benefit terms

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

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

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

Changes in assumptions

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

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:
- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

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

State Teachers Retirement System (STRS)

Changes in benefit terms

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

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

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

Changes in assumptions

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

Pension (Continued)

State Teachers Retirement System (STRS) (Continued)

Changes in assumptions (Continued)

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

(1) The long term expected rate of return was reduced from 7.75% to 7.45%,
(2) The inflation assumption was lowered from 2.75% to 2.50%,
(3) The payroll growth assumption was lowered to 3.00%,
(4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
(5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
(6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

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

OPEB

School Employees Retirement System (SERS)

Changes in benefit terms

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

Changes in assumptions

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

(1) Discount Rate:
    Prior Measurement Date 3.63%
    Measurement Date 3.70%
(2) Municipal Bond Index Rate:
    Prior Measurement Date 3.56%
    Measurement Date 3.62%
(3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
    Prior Measurement Date 3.63%
    Measurement Date 3.70%

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

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

OPEB (Continued)

School Employees Retirement System (SERS) (Continued)

Changes in assumptions (Continued)

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

(1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
(2) Payroll growth assumption was reduced from 4.00% to 3.50%,
(3) Assumed real wage growth was reduced from 0.75% to 0.50%,
(4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
(5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
(6) Mortality among service retired members, and beneficiaries was updated to the following RP- 2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
(7) Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System (STRS)

Changes in benefit terms

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

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

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

Changes in assumptions

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

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

Fayetteville-Perry Local School District
Brown County
551 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 28, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

April 28, 2020

OHIO AUDITOR OF STATE
KEITH FABER

FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 12, 2020