SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2019



MAPLETON LOCAL SCHOOL DISTRICT ASHLAND COUNTY JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Mapleton Local School District Ashland County 635 County Road 801 Ashland, Ohio 44805

To the Board of Education:

Report on the Financial Statements

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

Mapleton Local School District Independent Auditor's Report Page 2

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mapleton Local School District Independent Auditor's Report Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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.

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Keith Faber Auditor of State

Columbus, Ohio

March 24, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased \$587,860 from 2018's net position.
- General revenues accounted for \$8,555,320 in revenue or 77.57% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,474,273 or 22.43% of total revenues of \$11,029,593.
- The District had \$10,441,733 in expenses and only \$2,474,273 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,555,320 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$9,422,205 in revenues and \$9,535,158 in expenditures and other financing uses. During fiscal year 2019, the general fund's fund balance decreased \$112,953 from a balance of \$3,863,429 to a balance of \$3,750,476.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-63 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 66-81 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The District as a Whole

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

	Net Position		
	Governmental	Governmental	
	Activities 2019	Activities 2018	
Assets			
Current and other assets	\$ 7,556,213	\$ 7,396,804	
Capital assets, net	11,059,756	11,781,423	
Total assets	18,615,969	19,178,227	
Deferred outflows of resources			
Unamortized deferred charges	4,196	14,267	
Pension	2,278,051	2,777,621	
OPEB	106,767	91,636	
Total deferred outflows	2,389,014	2,883,524	
Liabilities			
Current liabilities	1,042,721	920,928	
Long-term liabilities:) -) -)	
Due within one year	521,121	522,795	
Due in more than one year:			
Net pension liability	8,665,017	9,295,764	
Net OPEB liability	805,698	2,008,119	
Other amounts	676,387	1,081,259	
Total liabilities	11,710,944	13,828,865	
Deferred inflows of resources			
Property taxes	1,738,756	1,896,943	
Pension	985,496	978,404	
OPEB	915,027	290,639	
Total deferred inflows	3,639,279	3,165,986	
<u>Net Position</u>			
Net investment in capital assets	10,422,070	10,688,959	
Restricted	611,065	777,136	
Unrestricted (deficit)	(5,378,375)	(6,399,195)	
Total net position	\$ 5,654,760	\$ 5,066,900	

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,654,760.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS). See Note 12 for more detail.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail. STRS did not report a net OPEB asset in the prior year.

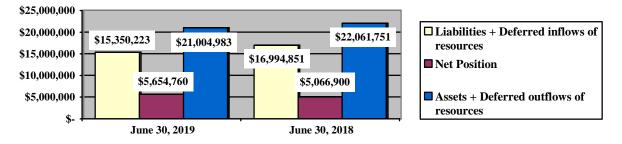
At year-end, capital assets represented 59.41% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2019, was \$10,422,070. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, \$611,065, represents resources that are subject to external restriction on how they may be used. The remaining unrestricted balance is a deficit of \$5,378,375.

The table below illustrates the District's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2019 and 2018.

Governmental Activities



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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,276,107	\$ 1,348,925
Operating grants and contributions	1,198,166	1,026,215
General revenues:		
Property taxes	3,277,334	3,688,990
Grants and entitlements not restricted	5,179,461	5,277,130
Investment earnings	71,813	44,678
Miscellaneous	26,712	12,088
Total revenues	11,029,593	11,398,026
Expenses		
Program expenses:		
Instruction:		
Regular	4,413,648	2,429,634
Special	1,058,176	521,676
Vocational	181,195	61,128
Other	1,130,756	1,025,480
Support services:	156015	1 (0,005
Pupil	176,217	160,995
Instructional staff	163,044	88,769
Board of education	59,500	43,625
Administration	877,387	390,679 240,526
Fiscal	292,808	240,536
Business	4,200	1,910
Operations and maintenance	771,702	622,700
Pupil transportation Central	538,946 19,531	449,342 14,258
Operation of non-instructional services:	19,331	14,230
Other non-instructional services	1,299	37,909
Food service operations	396,157	288,346
Extracurricular activities	309,274	141,562
Interest and fiscal charges	47,893	60,297
Total expenses	10,441,733	6,578,846
Change in net position	587,860	4,819,180
Net position at beginning of year	5,066,900	247,720
Net position at end of year	\$ 5,654,760	\$ 5,066,900

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Governmental Activities

Net position of the District's governmental activities increased \$587,860. Total governmental expenses of \$10,441,733 were offset by program revenues of \$2,474,273 and general revenues of \$8,555,320. Program revenues supported 23.70% of the total governmental expenses.

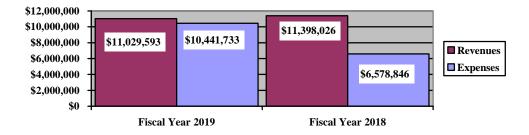
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 76.67% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,783,775 or 64.97% of total governmental expenses for fiscal year 2019.

Overall, expenses of the governmental activities increased \$3,862,887 or 58.72%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$580,274 in pension expense and (\$1,085,895) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense reported under GASB 68 makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2019 and 2018.



Governmental Activities - Revenues and Expenses

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

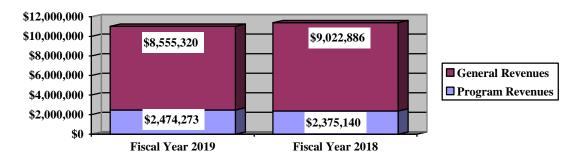
Governmental Activities

	То	otal Cost of Services 2019	١	Net Cost of Services 2019	То	otal Cost of Services 2018	N	Vet Cost of Services 2018
Program expenses								
Instruction:								
Regular	\$	4,413,648	\$	3,424,602	\$	2,429,634	\$	1,452,050
Special		1,058,176		304,731		521,676		(192,629)
Vocational		181,195		67,666		61,128		(13,790)
Other		1,130,756		1,043,625		1,025,480		1,019,095
Support services:								
Pupil		176,217		176,217		160,995		160,995
Instructional staff		163,044		116,490		88,769		56,128
Board of education		59,500		59,500		43,625		43,625
Administration		877,387		843,022		390,679		370,709
Fiscal		292,808		292,808		240,536		240,536
Business		4,200		4,200		1,910		1,910
Operations and maintenance		771,702		771,702		622,700		621,484
Pupil transportation		538,946		538,596		449,342		443,514
Central		19,531		19,531		14,258		14,258
Operation of non-instructional services:								
Other non-instructional services		1,299		(3,329)		37,909		(32,462)
Food service operations		396,157		48,942		288,346		(71,371)
Extracurricular activities		309,274		211,264		141,562		29,357
Interest and fiscal charges		47,893		47,893		60,297		60,297
Total expenses	\$	10,441,733	\$	7,967,460	\$	6,578,846	\$	4,203,706

The dependence upon tax and other general revenues for governmental activities is apparent, as 71.36% of 2019 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.30%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2019 and 2018.

Governmental Activities - General and Program Revenues



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The District's Funds

The District's governmental funds reported a combined fund balance of \$4,037,410, which is lower than last year's total of \$4,371,523. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance	Fund Balance		Percentage
	June 30, 2019	June 30, 2018	Change	Change
General Other Governmental	\$ 3,750,476 	\$ 3,863,429 508,094	\$ (112,953) (221,160)	(2.92) % (43.53) %
Total	\$ 4,037,410	\$ 4,371,523	\$ (334,113)	(7.64) %

General Fund

The District's general fund balance decreased by \$112,953, or 2.92%.

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

	 2019 Amount	_	2018 Amount	 Change	Percenta Change	0
Revenues						
Taxes	\$ 2,811,004	\$	3,105,786	\$ (294,782)	(9.49)) %
Tuition	922,298		978,829	(56,531)	(5.78)) %
Earnings on investments	60,664		35,797	24,867	69.47	%
Intergovernmental	5,463,428		5,435,135	28,293	0.52	%
Other revenues	 164,811		166,257	 (1,446)	(0.87)) %
Total	\$ 9,422,205	\$	9,721,804	\$ (299,599)	(3.08)) %
Expenditures						
Instruction	\$ 6,264,059	\$	5,682,606	\$ 581,453	10.23	%
Support services	2,914,249		2,747,905	166,344	6.05	%
Operation of non-instructional services	598		47	551	1,172.34	%
Extracurricular activities	 253,252		197,287	 55,965	28.37	%
Total	\$ 9,432,158	\$	8,627,845	\$ 804,313	9.32	%

The District experienced a \$299,599 or 3.08% decrease in general fund revenues and an increase of \$804,313 or 9.32% in expenditures. Property tax revenue decreased \$294,782 or 9.49% from fiscal year 2018. This decrease is primarily the result of fluctuations in the amount of property taxes available to the District as an advance at fiscal year-end. This amount is recorded as revenue in accordance with GAAP and can vary depending on when the County Auditor distributes the second-half tax bills. Tuition revenue decreased \$56,531 due to a drop in money received from other districts as payment for pupils attending special education programs. Earnings on investments increased \$24,867 or 69.47% due to an increase in the performance of the District's investments. Instruction expenditures increased \$581,453 or 10.23% primarily due to an increase in regular instructional costs associated with the elementary school, as well as an increase in special education costs related to students in pre-school through sixth grade. Extracurricular expenditures increased \$55,965 or 28.37% due to an increase in costs related to a rise in costs related to a distribute services for special education.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$7,476,370, while final budgeted revenues and other financing sources were \$9,239,348. Actual budget basis revenues and other financing sources for fiscal year 2019 were \$9,221,780. This represents a \$17,568 decrease over final budgeted revenues and other financing sources.

General fund original appropriations and other financing uses of \$8,990,398 were increased to \$9,297,943 in the final appropriations and other financing uses. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$9,400,324, which was \$102,381 higher than the final budget appropriations and other financing uses.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$11,059,756 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2019 balances compared to June 30, 2018:

Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities			
	2019	2018		
Land	\$ 177,800	\$ 177,800		
Land improvements	757,964	842,380		
Building and improvements	9,668,190	10,279,739		
Furniture and equipment	138,056	170,928		
Vehicles	317,746	310,576		
Total	\$ 11,059,756	\$ 11,781,423		

The overall decrease in capital assets of \$721,667 is due to depreciation expense of \$837,864 exceeding capital outlays of \$116,197 in the fiscal year.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Debt Administration

The following table summarizes the District's outstanding debt.

Outstanding Debt at June 30

	Governmental Activities 2019	Governmental Activities 2018		
Energy conservation improvement bonds 2011 series refunding bonds	\$ 435,000 411,236	\$ 483,333 776,129		
Total	<u>\$ 846,236</u>	\$ 1,259,462		

At June 30, 2019, the District had an overall legal debt margin of \$13,009,491, an unvoted debt margin of \$142,688, and an unvoted energy conversation debt margin \$849,196.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals. The Ohio Department of Taxation is reformulating the calculation of Current Agricultural Use Value (CAUV). While the amount of this recalculation is unavailable at this time, it is assumed that values will be decreasing. The new property values will be received by counties in November 2019. Total property tax receipts have continued to rise slightly over the course of the previous ten years.

Public utilities personal property value increased to \$7,786,370 in 2019 leading to an increase in taxes received. Taxes may continue to increase as natural gas pipelines are brought on-line. The forecast has not included the growth in this line until more firm numbers are put forth by the county auditor. This revenue line item represents only Public Utility Personal Property Tax income and annual growth based upon historical trends. In the 2020 tax year, the District does expect to receive an increase in revenue due to the Rover pipeline that began gas flow in 2019. Valuation estimates are not available at this time to include an informed revenue estimate.

Total unrestricted state revenue (state foundation) collected during fiscal year 2019 was \$4,813,880. The state foundation formula is reliant on daily student enrollment and property valuation averages, both local and statewide. In fiscal year 2018, the State of Ohio passed legislation to allow certain gaming facilities. 34% of the revenue generated from these facilities is mandated to go to school districts. This revenue will be distributed to each county and then paid to each school district based on Average Daily Membership (ADM) of the district living in that county. The District received approximately \$48,994 from this source for fiscal year 2019.

The District is contracted with the Mapleton Teachers Association (MTA) through fiscal year 2021 and includes base salary increases of 3.00% for fiscal years 2019, 2020 and 2021. The District's contract with the Ohio Association of Public School Employees (OAPSE) Local #348 will expire at the conclusion of fiscal year 2020. The District approved a .40 cent per hour raise for fiscal years 2018, 2019 and 2020. Other than the negotiated base salary increases, the forecast assumes step increases only.

For fiscal year 2019, the District did not have any retirements. A reduction in federal funding for fiscal years 2019 and 2020 could result in the District needing to subsidize grant positions out of the general fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Katy Wiley, Treasurer, Mapleton Local School District, 635 County Road 801, Ashland, Ohio 44805.

STATEMENT OF NET POSITION JUNE 30, 2019

	vernmental Activities
Assets:	
Equity in pooled cash and cash equivalents Receivables:	\$ 3,583,956
Taxes	3,166,964
Intergovernmental	270,579
Prepayments	19,735
Materials and supplies inventory	816
Inventory held for resale	1,827
Net OPEB asset	512,336
Capital assets:	
Nondepreciable capital assets	177,800
Depreciable capital assets, net	 10,881,956
Capital assets, net	 11,059,756
Total assets	 18,615,969
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	4,196
Pension	2,278,051
OPEB	106,767
Total deferred outflows of resources	 2,389,014
	 2,000,011
Liabilities:	
Accounts payable	78,411
Accrued wages and benefits payable	813,723
Intergovernmental payable	28,029
Pension and post employment	
benefits payable	121,594
Accrued interest payable	964
Long-term liabilities:	
Due within one year	521,121
Due in more than one year:	0.665.015
Net pension liability	8,665,017
Other amounts due in more than one year	676,387
Net OPEB liability	 805,698
Total liabilities	 11,710,944
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	1,738,756
Pension	985,496
OPEB	915,027
Total deferred inflows of resources	 3,639,279
Net position:	
Net investment in capital assets	10,422,070
Restricted for:	10,122,070
Capital projects	296,309
Classroom facilities maintenance	99,562
Debt service	160,231
Locally funded programs	3,744
State funded programs	7,379
Federally funded programs	38,450
Student activities	5,390
Unrestricted (deficit)	(5,378,375)
Total net position	\$ 5,654,760
-	

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

			Program	Revenue	es		Net (Expense) Revenue and Changes in Net Position
		C	harges for		ating Grants	(Governmental
	Expenses		ces and Sales		Contributions		Activities
Governmental activities:	<u> </u>						
Instruction:							
Regular	\$ 4,413,648	\$	971,482	\$	17,564	\$	(3,424,602)
Special	1,058,176		45,864		707,581		(304,731)
Vocational	181,195		-		113,529		(67,666)
Other	1,130,756		1,088		86,043		(1,043,625)
Support services:							
Pupil	176,217		-		-		(176,217)
Instructional staff	163,044		677		45,877		(116,490)
Board of education	59,500		-		-		(59,500)
Administration	877,387		19,092		15,273		(843,022)
Fiscal	292,808		-		-		(292,808)
Business	4,200		-		-		(4,200)
Operations and maintenance	771,702		-		-		(771,702)
Pupil transportation	538,946		350		-		(538,596)
Central	19,531		-		-		(19,531)
Operation of non-instructional services:							
Other non-instructional services	1,299		450		4,178		3,329
Food service operations	396,157		139,223		207,992		(48,942)
Extracurricular activities	309,274		97,881		129		(211,264)
Interest and fiscal charges	 47,893		-		-		(47,893)
Total governmental activities	\$ 10,441,733	\$	1,276,107	\$	1,198,166		(7,967,460)

General Revenues:

General Revenues.	
Property taxes levied for:	
General purposes	2,803,535
Special revenue	33,500
Debt service	190,605
Capital outlay	249,694
Grants and entitlements not restricted	
to specific programs	5,179,461
Investment earnings	71,813
Miscellaneous	 26,712
Total general revenues	 8,555,320
Change in net position	587,860
Net position at beginning of year	 5,066,900
Net position at end of year	\$ 5,654,760

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2019

	General		Nonmajor Governmental Funds		Total Governmental Funds	
Assets:						
Equity in pooled cash						
and cash equivalents	\$	2,914,329	\$	669,627	\$	3,583,956
Receivables:						
Taxes		2,827,865		339,099		3,166,964
Interfund loans		202,850		-		202,850
Intergovernmental		69,289		201,290		270,579 19,735
Prepayments		19,735		816		816
Inventory held for resale		-		1,827		1,827
Due from other funds		342,724		-		342,724
Total assets	\$	6,376,792	\$	1,212,659	\$	7,589,451
	Ψ	0,570,772	Ψ	1,212,037	Ψ	7,507,451
Liabilities:						
Accounts payable	\$	76,950	\$	1,461	\$	78,411
Accrued wages and benefits payable		722,731		90,992		813,723
Intergovernmental payable		26,915		1,114		28,029
Pension and post employment						
benefits payable		109,133		12,461		121,594
Interfund loans payable				202,850		202,850
Due to other funds		_		342,724		342,724
Total liabilities		935,729		651,602		1,587,331
		933,129		031,002		1,307,331
Deferred inflows of resources:						
Property taxes levied for the next fiscal year		1,552,819		185,937		1,738,756
Delinquent property tax revenue not available		126,577		15,179		141,756
Intergovernmental revenue not available		11,191		73,007		84,198
Total deferred inflows of resources		1,690,587		274,123		1,964,710
Fund balances: Nonspendable:						
Materials and supplies inventory		-		816		816
Prepaids		19,735		-		19,735
Restricted:						
Debt service		-		367,530		367,530
Capital improvements		-		286,903		286,903
Classroom facilities maintenance		-		98,693		98,693
Targeted academic assistance		-		38,450		38,450
Other purposes		-		9,907		9,907
Extracurricular		-		5,390		5,390
Assigned:						
Student instruction		515		-		515
Extracurricular activities		23,979		-		23,979
Unassigned (deficit)		3,706,247		(520,755)		3,185,492
Total fund balances		3,750,476		286,934		4,037,410
Total liabilities, deferred inflows and fund balances	\$	6,376,792	\$	1,212,659	\$	7,589,451

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2019

Total governmental fund balances		\$ 4,037,410
Amounts reported for governmental activities on 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.		11,059,756
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred inflows in the funds. Taxes receivable Intergovernmental receivable Total	\$ 141,756 84,198	225,954
Unamortized premiums on bonds issued are not recognized in the funds.		(6,885)
Unamortized amounts on refundings are not recognized in the funds.		4,196
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(964)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Energy conservation improvement bonds Compensated absences General obligation capital appreciation bonds Accreted interest on capital appreciation bonds Total	(435,000) (344,387) (199,997) (211,239)	(1,190,623)
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 governmental funds: Deferred outflows of resources - pension Deferred inflows of resources - pension Net pension liability Total	2,278,051 (985,496) (8,665,017)	(7,372,462)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/ outflows are not reported in governmental funds: Deferred outflows of resources - OPEB Deferred inflows of resources - OPEB Net OPEB asset Net OPEB liability Total	106,767 (915,027) 512,336 (805,698)	 (1,101,622)
Net position of governmental activities		\$ 5,654,760

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recense: S 2.811.004 \$ 481.628 \$ 3.292.632 Train-portation fees. 350 - 350 - 350 Extracurricular 60.664 11.149 71.813 Charges for services - 139.223 139.223 Extracurricular 88.958 76.487 165.445 Chastron materials and fees - 48.791 - 48.791 Contributions and donations 21.164 50 21.214 Other local revenues - 25.000 - 25.000 Intergovernmental - state . 5.438.428 110.493 5.548.92 11.011.147 Expenditures: Current: - 768.834 766.834 766.854 11.011.147 Expenditures: Current: - 1.047.234 4.35.610 4.358.854 Current: Instructional staff - 1.047.234 4.10.067 Vocational 1.047.234 84.700 - 4.200 - 4.200 - 4.200 - 4.200 <		General	lonmajor vernmental Funds	Go	Total vernmental Funds
Property taxes S 2,811,004 S 481,628 S 3,292,632 Tunino	Revenues:	 			
Tutition 922,298 - 922,298 Transportation fees 350 - 350 Earnings on investments 60,664 11,149 71,813 Charges for services - 139,223 139,223 Extracurricular 88,958 76,487 165,445 Classroom materials and fees 48,791 - 48,791 Contributions and donations 21,164 50 21,214 Other local revenues 5,548 1,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - federal - 76,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 10447,234 84,536 1,31,770 Support services: - 1044,724 84,536 1,31,770 Support services: - 214,695 - 214,695 Instructional staff 132,972 37,148 170,200 Board of education 61,300 - 61,300 Administration 974,429 2	From local sources:				
Tutition 922,298 - 922,298 Transportation fees 350 - 350 Earnings on investments 60,664 11,149 71,813 Charges for services - 139,223 139,223 Extracurricular 88,958 76,487 165,445 Classroom materials and fees 48,791 - 48,791 Contributions and donations 21,164 50 21,214 Other local revenues 5,548 1,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - federal - 76,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 10447,234 84,536 1,31,770 Support services: - 1044,724 84,536 1,31,770 Support services: - 214,695 - 214,695 Instructional staff 132,972 37,148 170,200 Board of education 61,300 - 61,300 Administration 974,429 2	Property taxes	\$ 2.811.004	\$ 481.628	\$	3.292.632
Transportation fees. 350 - 350 Earnings on investments 60,664 11,149 71,813 Charges for services. - 139,223 139,223 Extracurricular 88,958 76,487 165,445 Classroom materials and fees. 48,791 - 48,791 Contributions and donations 21,164 50 21,214 Other local revenues . 5,548 1,078 6,626 Intergovermmental - itermediate. . 25,000 - 25,000 Intergovermmental - istate 768,834 768,834 Total revenues .			-		
Earnings on investments 60,664 11,149 71,813 Charges for services - 139,223 139,223 Extracurricular 88,958 76,487 165,445 Contributions and donations 21,164 50 21,214 Other local revenues 5,548 10,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - federal - 768,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 768,834 768,834 Current: - 768,834 768,834 Instruction: Regular 4,232,244 84,536 1,131,770 Support services: - 1,047,234 84,536 1,311,770 Support services: - 214,695 - 214,695 Instructional staff - 32,247 12,309 334,776 Business - 4,200 - 4,200 Operations and ma		,	-		
Charges for services - 139,223 139,223 Extracurricular 88,958 76,487 165,445 Classroom materials and fees 48,791 - 48,791 Contributions and donations 21,164 50 21,214 Other local revenues 5,548 1,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - intermediate 2,438,428 110,493 5,548,921 Intergovernmental - federal - 768,834 768,834 768,834 Total revenues - 768,834 768,834 11,011,147 Expenditures: Current: - 1,047,234 84,536 1,131,770 Support services: - 1,047,234 84,536 1,131,770 Pupil 214,695 - 214,695 - 14,695 Instructional staff. 132,272 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 10,002,81 14,203 934,776 Business - 4,200	•		11 149		
Extracurricular 88,958 76,487 165,445 Classroom materials and fees 48,791 - 48,791 Contributions and donations 21,164 50 21,214 Other local revenues 5,548 1,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - federal - 768,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 768,834 768,834 768,834 Current: - 768,834 768,834 768,834 768,834 Instruction: Regular 4,323,244 35,610 4,358,854 Support services: - 1,047,234 84,536 1,131,770 Pupil 214,695 - 214,695 - 214,695 Instructional staff 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal . 322,407 12,369 34					
Classroom materials and fees 48,791 - 48,791 Contributions and donations 21,164 50 21,214 Other local revenues 5,548 1,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - federal - - 768,834 766,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - - 768,834 766,834 Current: - 19,422,205 1,588,942 11,011,147 Expenditures: - - 16,834 766,834 Otter - 10,47,234 84,536 1,131,770 Support services: 214,695 - 214,695 11,0120 Board of education 61,300 - 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal - 19,531 - 19,531 Operation and maintenance 673,856 140,325 814,181		88 958	<i>,</i>		
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Other local revenues 5,548 1,078 6,626 Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - intermediate 5,438,428 11,0493 5,548,921 Intergovernmental - federal - 768,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 768,834 768,834 768,834 Current: Instruction: - 768,921 11,011,147 Expenditures: - 194,497 9,148 203,645 Other - 10,47,234 84,536 1,131,770 Support services: - 11,047,234 84,536 1,31,770 Pupil - 124,695 - 214,695 - 14,695 Instructional staff - 132,972 37,148 170,120 Board of education 61,300 - 61,300 Operation of non-instructional services: - 4,200 - 4,200 - 19,551 09,531			50		
Intergovernmental - intermediate 25,000 - 25,000 Intergovernmental - state 5,438,428 110,493 5,548,921 Intergovernmental - federal 9,422,205 1,588,942 11,011,147 Expenditures: 9,422,205 1,588,942 11,011,147 Current: Instruction: 4,323,244 35,610 4,358,854 Special 699,084 491,983 1,191,067 Vocational 194,497 9,148 203,645 Other 1,047,234 84,536 1,131,770 Support services: 9 1 104,695 - 214,695 Pupil 214,695 - 214,695 - 214,695 Instructional staff 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 - 4,200 Certral - 19,531 - 19,531 Operations and maintenance					
Intergovernmental - state 5,438,428 110,493 5,548,921 Intergovernmental - federal - 768,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 9,422,205 1,588,942 11,011,147 Expenditures: - 699,084 491,983 1,191,067 Vocational 194,497 9,148 203,645 0ther 203,645 Other 1,047,234 84,536 1,131,770 Support services: Pupil 214,695 - 214,695 - 214,695 Instructional staff 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 19,531 - 19,531 Operation of non-instructional services: 598 4,105 4,703 Food service operations - 425,895 425,895 Extracurricular activities 253,252			1,078		
Intergovernmental - federal - 768,834 768,834 Total revenues 9,422,205 1,588,942 11,011,147 Expenditures: - 768,834 768,834 Current: Instruction: Regular 4,323,244 35,610 4,358,854 Special 699,084 491,983 1,191,067 Vocational 1.044,273 84,536 1,131,770 Support services: 942,972 37,148 170,120 84,536 1,131,770 Support services: 942,207 27,148 170,120 84,536 1,000,281 Fixed. 322,472 25,852 1,000,281 150,859 77,350 588,209 Operations and maintenance 673,856 140,325 814,181 90 19,531 19,531 19,531 Operations and maintenance 510,859 77,350 588,209 206,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 20,627 <t< td=""><td>•</td><td></td><td>110 403</td><td></td><td></td></t<>	•		110 403		
Total revenues $9,422,205$ $1,588,942$ $11,011,147$ Expenditures: Current: Instruction: $4,323,244$ $35,610$ $4,358,854$ Special $699,084$ $491,983$ $1,191,067$ Vocational $194,497$ $9,148$ $203,645$ Other $1047,234$ $84,536$ $1,131,770$ Support services: $1047,234$ $84,536$ $1,131,770$ Pupil $214,695$ $ 214,695$ Instructional staff $132,972$ $37,148$ $170,120$ Board of education $61,300$ $ 61,300$ $ 61,300$ Operations and maintenance $673,856$ $140,325$ $814,181$ Pupil transportation $510,859$ $77,350$ $588,209$ Central $ 425,895$ $425,895$ $425,895$ Extracurricular activities $253,252$ $99,821$ $353,073$ Obet service: $ 448,333$ $448,333$ $448,333$ Interest and fiscal charges $ 20,627$ $20,627$ $20,627$ $20,627$ </td <td></td> <td>5,458,428</td> <td></td> <td></td> <td></td>		5,458,428			
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Current: Instruction: Regular. 4,323,244 35,610 4,358,854 Special. 699,084 491,983 1,191,067 Vocational. 194,497 9,148 203,645 Other. 1,047,234 84,536 1,131,770 Support services: Pupil. 214,695 214,695 Pupil. 214,695 214,695 61,300 Administration 974,429 25,852 1,000,281 Priscal 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 19,531 Other non-instructional services: 0 94,432,158 1,913,102 11,345,260 Extracurricular activities 253,252 99,821 353,073 264 53,073 Debt service: - 20,627 20,627 20,627 20,627 Total expenditures -		 9,422,205	 1,588,942		11,011,147
Instruction: 4,323,244 35,610 4,358,854 Regular. 699,084 491,983 1,191,067 Vocational. 194,497 9,148 203,645 Other 1,047,234 84,536 1,131,770 Support services: 1 124,695 214,695 214,695 Pupil. 214,695 - 214,695 61,300 61,300 Administration 974,429 25,852 1,000,281 78,148 170,120 Board of education 61,300 - 61,300 - 61,300 Administration 974,429 25,852 1,000,281 78,148 170,120 Business . 4,200 - 4,200 - 4,200 Operations and maintenance . 673,856 140,325 814,181 Pupil transportation . 510,859 77,350 588,209 Central . . . 425,895 425,895 Extracurricular activities . . . 425,895 425,895 Extracurricular activities .	-				
Regular. 4,323,244 35,610 4,358,854 Special. 699,084 491,983 1,191,067 Vocational. 194,497 9,148 203,645 Other. 1,047,234 84,536 1,131,770 Support services: 214,695 - 214,695 Pupil. 214,695 - 214,695 Instructional staff. 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal. 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central - 425,895 425,895 Extracurricular activities 253,252 99,821 353,073 Debt service: - 20,627 20,627 20,627 Principal retirement - 448,333 448,333 Interest and fiscal charges					
Special 699,084 491,983 1,191,067 Vocational 194,497 9,148 203,645 Other 1,047,234 84,536 1,131,770 Support services: 214,695 214,695 214,695 Pupil 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 19,531 Operation of non-instructional services: 0ther non-instructional services: 253,252 99,821 353,073 Debt service: - 20,627 20,627 20,627 Principal retirement - 448,333 448,333 113,45,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing		4 202 044	25 610		1 250 051
Vocational 194,497 9,148 203,645 Other 1,047,234 84,536 1,131,770 Support services: 214,695 - 214,695 Pupil 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 0 Operation of non-instructional services: 0 9,425,895 425,895 Other non-instructional services 598 4,105 4,703 Food service operations - 448,333 448,333 Principal retirement - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures over revenues (9,953) (324,160) (334,113)	8				, ,
Other 1,047,234 84,536 1,131,770 Support services: 214,695 - 214,695 Pupil 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 Operation of non-instructional services: 014 4,703 Other non-instructional services: 253,252 99,821 353,073 Debt service: - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 - Transfers in<	-		<i>,</i>		
Support services: 214,695 214,695 214,695 Pupil. 132,972 37,148 170,120 Board of education 61,300 61,300 61,300 Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 4,200 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 Operation of non-instructional services: 0 0 425,895 425,895 Other non-instructional services 598 4,105 4,703 Food service operations - 4425,895 425,895 Debt service: 253,252 99,821 353,073 Debt service: - 20,627 20,627 20,627 Total expenditures 9,432,158 1,913,102 11,345,260 - 113,452,60 Excess of expenditures over revenues (9,953) (324,160) (334,113) - Other financing sources (use					
Pupil 214,695 - 214,695 Instructional staff 132,972 37,148 170,120 Board of education 61,300 - 61,300 Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 Operation of non-instructional services: 014 974,429 25,895 Other non-instructional services 598 4,105 4,703 Food service operations - 425,895 425,895 Extracurricular activities 253,252 99,821 353,073 Debt service: - 20,627 20,627 Principal retirement - 448,333 448,333 Interest and fiscal charges - 103,000 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113)		1,047,234	84,536		1,131,770
Instructional staff					
Board of education $61,300$ - $61,300$ Administration $974,429$ $25,852$ $1,000,281$ Fiscal $322,407$ $12,369$ $334,776$ Business $4,200$ - $4,200$ Operations and maintenance $673,856$ $140,325$ $814,181$ Pupil transportation $510,859$ $77,350$ $588,209$ Central 19,531 - $19,531$ Operation of non-instructional services: $19,531$ - $19,531$ Operation of non-instructional services: 598 $4,105$ $4,703$ Food service operations - $425,895$ $425,895$ Extracurricular activities $253,252$ $99,821$ $353,073$ Debt service: Principal retirement - $448,333$ $448,333$ Interest and fiscal charges - $20,627$ $20,627$ Total expenditures over revenues (9,953) $(324,160)$ $(334,113)$ Other financing sources (uses): - $103,000$ - (103,000) Transfers in - - 103			-		
Administration 974,429 25,852 1,000,281 Fiscal 322,407 12,369 334,776 Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 Operation of non-instructional services: 0ther non-instructional services: 598 4,105 4,703 Food service operations - 425,895 425,895 425,895 Extracurricular activities 253,252 99,821 353,073 Debt service: - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 - 103,000 Transfers in - - 103,000 - - Net change in fund balances (112,953) (221,160) (334,113) Fund balances at beginning of year 3,863,429			37,148		
Fiscal $322,407$ $12,369$ $334,776$ Business $4,200$ - $4,200$ Operations and maintenance $673,856$ $140,325$ $814,181$ Pupil transportation $510,859$ $77,350$ $588,209$ Central $19,531$ - $19,531$ Operation of non-instructional services: $19,531$ - $19,531$ Other non-instructional services 598 $4,105$ $4,703$ Food service operations - $425,895$ $425,895$ Extracurricular activities $253,252$ $99,821$ $353,073$ Debt service: - $448,333$ $448,333$ Interest and fiscal charges - $20,627$ $20,627$ Total expenditures over revenues $(9,953)$ $(324,160)$ $(334,113)$ Other financing sources (uses): - $103,000$ - $103,000$ Transfers in - - $103,000$ - $103,000$ - Total expenditures over revenues (103,000) - $103,000$ - $103,000$ -		61,300	-		61,300
Business 4,200 - 4,200 Operations and maintenance 673,856 140,325 814,181 Pupil transportation 510,859 77,350 588,209 Central 19,531 - 19,531 Operation of non-instructional services: 0 19,531 - 19,531 Operation of non-instructional services: - 425,895 425,895 Other non-instructional services: 253,252 99,821 353,073 Debt service: - - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures - 9,432,158 1,913,102 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 - - Transfers in - 103,000 - (103,000) - Total other financing sources (uses): - 103,000 - - Transfers in - 103,000 - - 103,000 -		974,429	25,852		1,000,281
Operations and maintenance $673,856$ $140,325$ $814,181$ Pupil transportation $510,859$ $77,350$ $588,209$ Central $19,531$ - $19,531$ Operation of non-instructional services: $19,531$ - $19,531$ Operation of non-instructional services: 598 $4,105$ $4,703$ Food service operations - $425,895$ $425,895$ Extracurricular activities $253,252$ $99,821$ $353,073$ Debt service: - $448,333$ $448,333$ Interest and fiscal charges - $20,627$ $20,627$ Total expenditures over revenues $(9,953)$ $(324,160)$ $(334,113)$ Other financing sources (uses): - $103,000$ $103,000$ Transfers in - $103,000$ - $(103,000)$ Total other financing sources (uses): (103,000) - $(103,000)$ - Net change in fund balances (112,953) $(221,160)$ $(334,113)$ Fund balances at beginning of year $3,863,429$ $508,094$ $4,371,523$	Fiscal	322,407	12,369		334,776
Pupil transportation $510,859$ $77,350$ $588,209$ Central $19,531$ $ 19,531$ Operation of non-instructional services: $19,531$ $-$ Other non-instructional services 598 $4,105$ $4,703$ Food service operations $ 425,895$ $425,895$ Extracurricular activities $253,252$ $99,821$ $353,073$ Debt service: $ 448,333$ $448,333$ Interest and fiscal charges $ 20,627$ $20,627$ Total expenditures $9,432,158$ $1,913,102$ $11,345,260$ Excess of expenditures over revenues $(9,953)$ $(324,160)$ $(334,113)$ Other financing sources (uses): $ 103,000$ $-$ Transfers in $(103,000)$ $ (103,000)$ $-$ Total other financing sources (uses). $(112,953)$ $(221,160)$ $(334,113)$ Fund balances at beginning of year $3,863,429$ $508,094$ $4,371,523$	Business	4,200	-		4,200
Central 19,531 - 19,531 Operation of non-instructional services: 598 4,105 4,703 Food service operations - 425,895 425,895 Extracurricular activities 253,252 99,821 353,073 Debt service: - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures 9,432,158 1,913,102 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 - Transfers in - 103,000 - (103,000) Total other financing sources (uses): - 103,000 - (103,000) Transfers in - 103,000 - (103,000) - - Net change in fund balances (112,953) (221,160) (334,113) - - - - - - Fund balances at beginning of year 3,863,429 508,094 4,371,523 - - - - - -<		673,856	140,325		814,181
Operation of non-instructional services: 598 $4,105$ $4,703$ Food service operations - $425,895$ $425,895$ Extracurricular activities 253,252 $99,821$ $353,073$ Debt service: - $448,333$ $448,333$ Interest and fiscal charges - $20,627$ $20,627$ Total expenditures 9,432,158 $1,913,102$ $11,345,260$ Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - $103,000$ $103,000$ Transfers in - $103,000$ - $(103,000)$ Total other financing sources (uses): - $103,000$ $-$ Net change in fund balances (112,953) (221,160) (334,113) Fund balances at beginning of year $3,863,429$ $508,094$ $4,371,523$		510,859	77,350		588,209
Other non-instructional services 598 $4,105$ $4,703$ Food service operations - $425,895$ $425,895$ Extracurricular activities 253,252 $99,821$ $353,073$ Debt service: - $448,333$ $448,333$ Interest and fiscal charges - $20,627$ $20,627$ Total expenditures - $9,432,158$ $1,913,102$ $11,345,260$ Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 103,000 Transfers in - 103,000 - (103,000) Total other financing sources (uses) (103,000) - (103,000) - Net change in fund balances (112,953) (221,160) (334,113) Fund balances at beginning of year 3,863,429 508,094 4,371,523	Central	19,531	-		19,531
Food service operations-425,895425,895Extracurricular activities253,25299,821353,073Debt service:-448,333448,333Interest and fiscal charges-20,62720,627Total expenditures9,432,1581,913,10211,345,260Excess of expenditures over revenues(9,953)(324,160)(334,113)Other financing sources (uses):-103,000-Transfers in-103,000-(103,000)Total other financing sources (uses)(103,000)-(103,000)Total other financing sources (uses)(112,953)(221,160)(334,113)Fund balances at beginning of year3,863,429508,0944,371,523	Operation of non-instructional services:				
Extracurricular activities 253,252 99,821 353,073 Debt service: - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures - 9,432,158 1,913,102 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 103,000 Transfers in - 103,000 - (103,000) Total other financing sources (uses) (103,000) - (334,113) Fund balances at beginning of year 3,863,429 508,094 4,371,523	Other non-instructional services	598	4,105		4,703
Debt service: - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures 9,432,158 1,913,102 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 103,000 Transfers in - 103,000) - (103,000) Total other financing sources (uses) (103,000) - (103,000) Net change in fund balances (112,953) (221,160) (334,113)	Food service operations	-	425,895		425,895
Debt service: - 448,333 448,333 Interest and fiscal charges - 20,627 20,627 Total expenditures 9,432,158 1,913,102 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 103,000 Transfers in - 103,000 - Total other financing sources (uses) (103,000) - (103,000) Total other financing sources (uses) (103,000) - (103,000) Total other financing sources (uses) (112,953) (221,160) (334,113) Fund balances at beginning of year 3,863,429 508,094 4,371,523	-	253,252	99,821		353,073
Interest and fiscal charges - 20,627 20,627 Total expenditures 9,432,158 1,913,102 11,345,260 Excess of expenditures over revenues (9,953) (324,160) (334,113) Other financing sources (uses): - 103,000 103,000 Transfers in - 103,000 - (103,000) Total other financing sources (uses) (103,000) - - Net change in fund balances (112,953) (221,160) (334,113) Fund balances at beginning of year 3,863,429 508,094 4,371,523	Debt service:				
Total expenditures	Principal retirement	-	448,333		448,333
Total expenditures	Interest and fiscal charges	-	20,627		20,627
Other financing sources (uses): - 103,000 103,000 Transfers in		 9,432,158			
Transfers in	Excess of expenditures over revenues	 (9,953)	 (324,160)		(334,113)
Transfers in	Other financing sources (uses):				
Transfers (out) (103,000) - (103,000) Total other financing sources (uses) (103,000) 103,000 - Net change in fund balances (112,953) (221,160) (334,113) Fund balances at beginning of year 3,863,429 508,094 4,371,523		-	103,000		103,000
Total other financing sources (uses) (103,000) 103,000 - Net change in fund balances (112,953) (221,160) (334,113) Fund balances at beginning of year 3,863,429 508,094 4,371,523		(103.000)	-		
Fund balances at beginning of year 3,863,429 508,094 4,371,523		 	 103,000		-
	Net change in fund balances	 (112,953)	 (221,160)		(334,113)
	Fund balances at beginning of year	3,863,429	508.094		4,371,523
	° ° •	\$ 	\$ 	\$	

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		\$	(334,113)
Amounts reported for governmental activities in the			
statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as			
depreciation expense.	¢	116 107	
Capital asset additions	\$	116,197	
Current year depreciation Total		(837,864)	(721,667)
1000			(721,007)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funde			
the funds. Property taxes		(15,298)	
Intergovernmental		31,482	
Total		51,402	16,184
			- , -
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.			448,333
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being			
reported in the statement of activities: Change in accrued interest payable		1,396	
Accreted interest on capital appreciation bonds		(35,107)	
Amortization of bond premiums		16,516	
Amortization of deferred charges		(10,071)	
Total		(10,071)	(27,266)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these			704.250
amounts as deferred outflows.			704,359
Except for amounts reported as deferred inflows/outflows, changes			
in the net pension liability are reported as pension expense in the			
statement of activities.			(580,274)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports			
these amounts as deferred outflows.			19,605
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.			1,085,895
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(23,196)
in 5000 millional funds.			(23,170)
Change in net position of governmental activities		\$	587,860

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

	 Budgeted	l Amo	unts		Fi	riance with nal Budget Positive
	 Original		Final	 Actual	(Negative)
Revenues:						
From local sources:						
Property taxes	\$ 2,177,823	\$	2,704,357	\$ 2,685,544	\$	(18,813)
Tuition	706,803		870,533	922,298		51,765
Transportation fees	308		375	350		(25)
Earnings on investments	41,864		51,000	60,664		9,664
Extracurricular	16,417		20,000	20,864		864
Classroom materials and fees	36,068		43,939	48,791		4,852
Contributions and donations	431		525	500		(25)
Other local revenues	1,636		1,993	1,946		(47)
Intergovernmental - intermediate	20,522		25,000	25,000		-
Intergovernmental - state	 4,367,358		5,391,105	 5,441,818		50,713
Total revenues	 7,369,230		9,108,827	 9,207,775		98,948
Expenditures:						
Current:						
Instruction:						
Regular	3,974,675		4,161,034	4,191,411		(30,377)
Special	606,082		630,024	684,068		(54,044)
Vocational	167,250		167,728	188,439		(20,711)
Other	1,011,818		1,012,928	1,045,786		(32,858)
Support services:						
Pupil	355,428		417,484	256,662		160,822
Instructional staff	142,910		149,329	130,435		18,894
Board of education	47,798		52,825	57,044		(4,219)
Administration	854,503		871,236	942,370		(71,134)
Fiscal	355,491		326,709	328,241		(1,532)
Business	1,887		1,889	4,200		(2,311)
Operations and maintenance	599,444		618,694	683,672		(64,978)
Pupil transportation	562,729		560,729	511,348		49,381
Central	10,170		25,610	23,595		2,015
Operation of non-instructional services:						
Other non-instructional services	46		46	-		46
Extracurricular activities	 198,407		199,807	 250,053		(50,246)
Total expenditures	 8,888,638		9,196,072	 9,297,324		(101,252)
Excess of expenditures						
over revenues	(1,519,408)		(87,245)	(89,549)		(2,304)
	 (-,,,,,,,,,,,,,-		(01,210)	 (0),0 ())		(_,c +)
Other financing sources (uses):						
Refund of prior year's expenditures	12,313		15,000	13,899		(1,101)
Transfers (out)	(101,760)		(101,871)	(103,000)		(1,129)
Advances in	94,694		115,359	-		(115,359)
Sale of capital assets	 133		162	 106		(56)
Total other financing sources (uses)	 5,380		28,650	 (88,995)		(117,645)
Net change in fund balance	(1,514,028)		(58,595)	(178,544)		(119,949)
Fund balance at beginning of year	3,325,982		3,325,982	3,325,982		-
Prior year encumbrances appropriated	84,083		84,083	84,083		-
Fund balance at end of year	\$ 1,896,037	\$	3,351,470	\$ 3,231,521	\$	(119,949)
	 			 		<u> </u>

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	Private-Purpose Trust				
	Sch	olarship	Agency		
Assets:					
Current assets:					
Equity in pooled cash					
and cash equivalents	\$	7,467	\$	81,173	
Total assets		7,467	\$	81,173	
Liabilities:					
Accounts payable		250	\$	1,711	
Due to students		-		79,462	
Total liabilities		250	\$	81,173	
Net position:					
Held in trust for scholarships		7,217			
Total net position	\$	7,217			

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpo Trust		
	Scholarship		
Additions:			
Gifts and contributions	\$	3,078	
Total additions		3,078	
Deductions: Scholarships awarded		2,087	
Change in net position		991	
Net position at beginning of year		6,226	
Net position at end of year	\$	7,217	

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Mapleton Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines. It is staffed by 48 non-certified employees and 74 certified full-time teaching personnel who provide services to 887 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

JOINTLY GOVERNED ORGANIZATIONS

Midland Council of Governments

The District is a member of the Midland Council of Governments (COG), which was organized as a council-of-governments entity in accordance with Ohio statute. While the District and the other 21 members are assessed annual user fees for data services, none of the members retain an ongoing financial interest in the COG.

Ashland County - West Holmes Career Center (the "Career Center")

The Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Career Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Benefits Cooperative

The District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine-member Board of Directors, all of whom must be Education Service Center and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling each member of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life, and/or other group insurance coverages for their employees and the eligible dependents, and designated beneficiaries of such employees, and propose to have certain other eligible Educational Service Center or groups of Educational Service Centers join them for the same purposes. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants.

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third part administrator. The OSBC's business and affairs are conducted by a nine-member Board of Directors consisting of Educational Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine-member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

<u>Deferred Outflows of Resources and Deferred Inflows of Resources</u> - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

<u>Expenses/Expenditures</u> - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

E. Budgets

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

- 1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
- 2. By no later than January 20, the Board-adopted budget is filed with the Ashland County Budget Commission for tax rate determination.
- 3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2019.
- 4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
- 5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
- 6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
- 7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2019; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
- 8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

F. Cash and Investments

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

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, debt service fund, capital projects fund and classroom construction fund. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$60,664, none of which was assigned from other District funds.

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

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

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables" and "due to/due from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deductions during the year. Donated capital assets are recorded at their acquisition value. The District's capitalization threshold is \$5,000. 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. The District does not possess infrastructure.

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:

	Governmental
	Activities
Description	Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "<u>Accounting for Compensated Absences</u>", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

L. 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, net pension/OPEB liabilities and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Fund Balance

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

<u>Nonspendable</u> - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

N. Net Position

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

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

O. Estimates

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

P. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

On the governmental fund financial statements and statement of activities bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

Q. Interfund Activity

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the District had neither type of transaction.

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Fair Value

The 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	Deficit
Food service	\$ 232,010
School improvement models	39,532
IDEA B	151,283
Title I	96,200
Miscellaneous federal grants	914

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

- 1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4. Bonds and other obligations of the State of Ohio;

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

- No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
- 7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
- 8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$472,800 and the bank balance of all District deposits was \$512,717. Of the bank balance, \$250,000 was covered by the FDIC and \$262,717 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District's and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secure of State. For 2019, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

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

		Investment Maturities	
Measurement/	Measurement	6 months or	
Investment type	Value	less	
Amortized cost:			
STAR Ohio	\$ 3,199,796	\$ 3,199,796	

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

Measurement/	Measurement	
Investment type	Value	<u>% to Total</u>
Amortized cost:		
STAR Ohio	\$ 3,199,796	100.00

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

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

Cash and investments per note	
Carrying amount of deposits	\$ 472,800
Investments	 3,199,796
Total	\$ 3,672,596

Cash and cash equivalents per statement of net position	
Governmental activities	\$ 3,583,956
Private purpose fund	7,467
Agency funds	 81,173
Total	\$ 3,672,596

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund loans receivable/payable consisted of the following at June 30, 2019, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	\$ 202,850

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

B. Due to/due from other funds consisted of the following at June 30, 2019, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General fund	Nonmajor governmental funds	\$ 342,724

The primary purpose of the due to/from other funds is to cover negative cash in those funds. These interfund balances will be repaid once the anticipated revenues are received. Interfund loans between governmental funds are eliminated on the statement of net position thus there are no internal balances.

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

Transfers to nonmajor governmental funds from:	Amount
General fund	\$ 103,000

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - PROPERTY TAXES - (Continued)

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

The District receives property taxes from Ashland and Lorain Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$1,148,469 in the general fund, \$35,987 in the bond retirement fund (a nonmajor governmental fund), \$94,076 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$1,023,009 in the general fund, \$93,524 in the bond retirement fund (a nonmajor governmental fund), \$65,628 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate Public utility personal	\$ 133,716,140 	95.13 4.87	\$ 134,902,050 7,786,370	94.54 5.46
Total	<u>\$ 140,554,170</u>	100.00	\$ 142,688,420	100.00
Tax rate per \$1,000 of assessed valuation	\$ 47.95		\$ 47.50	

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 - RECEIVABLES

Receivables at June 30, 2019 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 3,166,964
Intergovernmental	
Total	\$ 3,437,543

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

NOTE 8 - CAPITAL ASSETS

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

	Balance			Balance
	June 30, 2018	Additions	Disposals	June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 177,800</u>	\$ -	\$ -	\$ 177,800
Total capital assets, not being depreciated	177,800			177,800
Capital assets, being depreciated:				
Land improvements	2,826,663	37,047	-	2,863,710
Buildings and improvements	19,822,658	-	-	19,822,658
Furniture and equipment	711,556	-	-	711,556
Vehicles	1,106,424	79,150	(59,100)	1,126,474
Total capital assets, being depreciated	24,467,301	116,197	(59,100)	24,524,398
Less: accumulated depreciation:				
Land improvements	(1,984,283)	(121,463)	-	(2,105,746)
Buildings and improvements	(9,542,919)	(611,549)	-	(10,154,468)
Furniture and equipment	(540,628)	(32,872)	-	(573,500)
Vehicles	(795,848)	(71,980)	59,100	(808,728)
Total accumulated depreciation	(12,863,678)	(837,864)	59,100	(13,642,442)
Governmental activities capital assets, net	\$ 11,781,423	<u>\$ (721,667)</u>	<u>\$ -</u>	\$ 11,059,756

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 703,894
Special	1,837
Vocational	153
Support services:	
Instructional staff	923
Operations and maintenance	49,023
Pupil transportation	71,571
Extracurricular activities	5,908
Food service operations	4,555
Total depreciation expense	<u>\$ 837,864</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2019, the following changes occurred in governmental activities' long-term obligations.

								D 1		mounts
		Balance						Balance		Due in
	Ju	ne 30, 2018	A	dditions]	Reductions	Jı	ine 30, 2019	0	ne Year
Governmental activities:										
Energy conservation improvement bonds	\$	483,333	\$	-	\$	(48,333)	\$	435,000	\$	48,333
Net pension liability		9,295,764		-		(630,747)		8,665,017		-
Net OPEB liability		2,008,119		50,467		(1,252,888)		805,698		-
Current interest refunding bonds-series 2011		400,000		-		(400,000)		-		-
Capital appreciation refunding bonds-series 2011		199,997		-		-		199,997		199,997
Accreted interest-series 2011		176,132		35,107		-		211,239		211,239
Compensated absences		321,191		108,920		(85,724)		344,387		61,552
Total long-term obligations,										
governmental activities	\$	12,884,536	\$	194,494	\$	(2,417,692)		10,661,338	\$	521,121
Add: Unamortized premium on bonds								6,885		
Total reported on statement of net position							\$	10,668,223		

<u>Net Pension Liability and Net OPEB Liability</u>: See Notes 12 and 13 for details on the District's net pension liability and net OPEB liability.

<u>Compensated Absences</u>: Compensated absences will be paid from the fund, from which the employee salaries are paid, which for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. <u>Energy Conservation Improvement Bonds</u>: On April 1, 2013, the District issued energy conservation improvement bonds to control and reduce energy consumption. The energy conservation improvement bonds are direct obligations of the District for which its full faith, credit and resources are pledged and payable from taxes levied on all taxable property in the District. The interest rates on the bonds are 2.75 percent. The bonds mature on December 1, 2027. Payments of principal and interest relating to these bonds are recorded as an expenditure in the permanent improvement fund (a nonmajor governmental fund).</u>

Principal and interest requirements to retire the energy conservation improvements bonds outstanding at June 30, 2019 are as follows:

Fiscal Year	Pr	Principal on		Principal on Interest on		
Ending June 30,		Bonds]	Bonds	 Total	
2020	\$	48,333	\$	11,298	\$ 59,631	
2021		48,333		9,969	58,302	
2022		48,333		8,640	56,973	
2023		48,333		7,310	55,643	
2024		48,333		5,981	54,314	
2025 - 2028		193,335		10,634	 203,969	
Total	\$	435,000	\$	53,832	\$ 488,832	

C. <u>Series 2011 Refunding General Obligation Bonds</u>: On May 14, 2011, the District issued general obligation bonds (Series 2011 Refunding Bonds) to currently refund the callable portion of the Series 2001 classroom facilities improvement \$1,485,000.

The refunding issue is comprised of both current interest bonds, par value \$1,285,000, and capital appreciation bonds par value \$199,997. The interest rates on the current interest bonds range from 1.40% - 4.10%. The capital appreciation bonds mature on December 1, 2019 (interest rate 9.129%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$430,000. Total accreted interest of \$211,239 has been included in the statement of net position at June 30, 2019. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The current interest bonds matured on December 1, 2018.

The reacquisition price exceeded the net carrying amount of the old debt by \$86,442. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Principal and interest requirements to retire the refunding bonds outstanding at June 30, 2019, are as follows:

Fiscal Year	Capital Appreciation Bonds - Refunding 2011								
Ending June 30,	Principal	Interest	Total						
2020	\$ 199,997	\$ 230,003	\$ 430,000						
Total	<u>\$ 199,997</u>	\$ 230,003	\$ 430,000						

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$13,009,491 (including available funds of \$367,530), an unvoted debt margin of \$142,688, and an unvoted energy conservation debt margin of \$849,196.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Accumulated unused vacation time is paid to employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking one-fourth of the unused balance to a maximum of 46 days.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The following is a description of the District's insurance coverage:

		Limits of	
Coverage	Insurer	Coverage	Deductible
General liability:	SORSA		
Each occurrence		\$ 15,000,000	\$ 0
Aggregate		17,000,000	0
Property/building and contents	SORSA	41,471,369	0
Fleet:			
Comprehensive	SORSA	Included in property	0
Collision		Included in property	0
Umbrella liability	SORSA	17,000,000	0

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Fidelity Bond

The Treasurer is covered under a surety bond in the amount of \$50,000. All other school employees are covered on the SORSA policy for covered property up to \$100,000.

C. Workers' Compensation

For fiscal year 2019, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the 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 school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

D. Employee Group Medical/Surgical, Dental and Vision Insurance

The District provides employee medical, prescription, and dental benefits through the Ohio School Benefits Cooperative (OSBC), using the Medical Mutual network for health, dental and life insurance and the VSP network for vision insurance. This plan provides a medical plan with a \$500 family and \$250 per person deductible and a dental plan with a \$50 family and \$25 per person deductible. There are no reserve requirements.

Employees are responsible for a portion of this premium based on job classification and length of workday as outlined in their negotiated agreement. Premiums for medical coverage were \$1,829.85 per month for each employee with family coverage and \$875.79 per month for each employee with individual coverage. The premiums for dental coverage were \$79.47 per month for each employee with family coverage and \$37.65 per month for each employee with single coverage.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multipleemployer 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 <u>www.ohsers.org</u> under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Eligible to Retire on or before August 1, 2017 *		Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The District's contractually required contribution to SERS was \$137,656 for fiscal year 2019. Of this amount, \$13,424 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The District's contractually required contribution to STRS was \$566,703 for fiscal year 2019. Of this amount, \$88,140 is reported as pension and postemployment benefits payable.

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

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

Following is information related to the proportionate share and pension expense:

	SERS			STRS	 Total
Proportion of the net pension					
liability prior measurement date	0	.02790920%	0	.03211190%	
Proportion of the net pension					
liability current measurement date	0	.02888920%	0	.03188356%	
Change in proportionate share	0	.00098000%	-0	.00022834%	
Proportionate share of the net					
pension liability	\$	1,654,538	\$	7,010,479	\$ 8,665,017
Pension expense	\$	86,969	\$	493,305	\$ 580,274

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	SERS		STRS		-	Fotal
Deferred outflows of resources						
Differences between expected and						
actual experience	\$	90,740	\$	161,824	\$ 2	252,564
Changes of assumptions		37,363	1,2	242,388	1,2	279,751
Difference between employer contributions						
and proportionate share of contributions/						
change in proportionate share		34,655		6,722		41,377
Contributions subsequent to the						
measurement date		137,656		566,703		704,359
Total deferred outflows of resources	\$	300,414	<u>\$ 1,9</u>	977,637	\$ 2,2	278,051
Deferred inflows of resources						
Differences between expected and						
actual experience	\$	-	\$	45,782	\$	45,782
Net difference between projected and						
actual earnings on pension plan investments		45,846		425,110		470,956
Difference between employer contributions						
and proportionate share of contributions/						
change in proportionate share		49,928		418,830		468,758
Total deferred inflows of resources	\$	95,774	\$	889,722	\$	985,496

\$704,359 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$	108,851	\$	421,130	\$	529,981
2021		26,490		217,400		243,890
2022		(54,295)		(16,376)		(70,671)
2023		(14,062)		(100,942)		(115,004)
Total	\$	66,984	\$	521,212	\$	588,196

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	Current						
	10		Di	scount Rate (7.50%)	1% Increase (8.50%)		
District's proportionate share of the net pension liability	\$	2,330,542	\$	1,654,538	\$	1,087,754	

Actuarial Assumptions - STRS

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

1 1 2010

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Current				
	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)		
District's proportionate share	(0.1370)	(7.1370)	(0.1570)		
of the net pension liability	\$ 10,237,882	\$ 7,010,479	\$ 4,278,920		

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$14,507.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$19,605 for fiscal year 2019. Of this amount, \$15,004 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

		SERS		STRS	 Total
Proportion of the net OPEB					
liability prior measurement date	0.0	02814100%	().03211190%	
Proportion of the net OPEB					
liability/asset current measurement date	0.0	02904180%	().03188356%	
Change in proportionate share	0.0	00090080%	-(0.00022834%	
Proportionate share of the net					
OPEB liability	\$	805,698	\$	-	\$ 805,698
Proportionate share of the net					
OPEB asset	\$	-	\$	(512,336)	\$ (512,336)
OPEB expense	\$	32,635	\$	(1,118,530)	\$ (1,085,895)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and			
actual experience	\$ 13,152	\$ 59,843	\$ 72,995
Difference between employer contributions			
and proportionate share of contributions/			
change in proportionate share	14,167	-	14,167
Contributions subsequent to the			
measurement date	 19,605	 -	 19,605
Total deferred outflows of resources	\$ 46,924	\$ 59,843	\$ 106,767

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	S	SERS	STRS	Total
Deferred inflows of resources				
Differences between expected and				
actual experience	\$	-	\$ 29,850	\$ 29,850
Net difference between projected and				
actual earnings on pension plan investments		1,208	58,529	59,737
Changes of assumptions		72,385	698,100	770,485
Difference between employer contributions				
and proportionate share of contributions/				
change in proportionate share		17,167	 37,788	 54,955
Total deferred inflows of resources	\$	90,760	\$ 824,267	\$ 915,027

\$19,605 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/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	\$ (36,595)	\$	(137,382)	\$	(173,977)
2021	(27,821)		(137,382)		(165,203)
2022	(41)		(137,380)		(137,421)
2023	471		(124,089)		(123,618)
2024	388		(119,426)		(119,038)
Thereafter	 157		(108,765)		(108,608)
Total	\$ (63,441)	\$	(764,424)	\$	(827,865)

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)			Current count Rate (3.70%)	1% Increase (4.70%)	
District's proportionate share of the net OPEB liability	\$	977,651	\$	805.698	\$	669,543
	1% (6.25	Decrease % decreasing (3.75 %)	T (7.25	Current rend Rate % decreasing () 4.75 %)	19 (8.25	% Increase % decreasing 0 5.75 %)
District's proportionate share of the net OPEB liability	\$	650,050	\$	805,698	\$	1,011,803

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

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

	Current							
	1% Decrea (6.45%)		Discount Rate (7.45%)			1% Increase (8.45%)		
District's proportionate share of the net OPEB asset	\$	439,120	\$	512,336	\$	573,871		
	1% Decrease		Current Trend Rate		1% Increase			
District's proportionate share of the net OPEB asset	\$	570,397	\$	512,336	\$	453,371		

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	Ge	General fund	
Budget basis	\$	(178,544)	
Net adjustment for revenue accruals		122,176	
Net adjustment for expenditure accruals		(45,415)	
Net adjustment for other sources/uses		(14,005)	
Funds budgeted elsewhere		1,785	
Adjustment for encumbrances		1,050	
GAAP basis	\$	(112,953)	

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in ongoing litigation as defendant. However, management believes that the outcome of any legal proceedings will not have a material impact on the District's financial position.

C. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the fiscal year 2019 reviews, the District owes \$4,569 to ODE. This amount has not been included in the financial statements.

NOTE 16 - SET-ASIDES

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

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

	Capital <u>Improvements</u>		
Set-aside balance June 30, 2018	\$	-	
Current year set-aside requirement	1	66,806	
Current year offsets	(3	16,232)	
Total	\$ (1	49,426)	
Balance carried forward to fiscal year 2020	\$		
Set-aside balance June 30, 2019	\$	-	

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 17 - OTHER COMMITMENTS

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

Fund

General

Encumbrances \$ 515

Year-End

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019		2018		2017		2016	
District's proportion of the net pension liability	0.02888920%		0.02790920%		0.02901440%		0.03011510%	
District's proportionate share of the net pension liability	\$	1,654,538	\$	1,667,513	\$	2,123,586	\$	1,718,397
District's covered payroll	\$	960,896	\$	895,393	\$	901,086	\$	906,624
District's proportionate share of the net pension liability as a percentage of its covered payroll		172.19%		186.23%		235.67%		189.54%
Plan fiduciary net position as a percentage of the total pension liability		71.36%		69.50%		62.98%		69.16%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015		2014
().03226700%	C	0.03226700%
\$	1,633,014	\$	1,918,815
\$	937,619	\$	945,542
	174.17%		202.93%
	71.70%		65.52%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

		2019		2018		2017		2016	
District's proportion of the net pension liability	0	0.03188356%	0).03211190%		0.03288807%	().03497926%	
District's proportionate share of the net pension liability	\$	7,010,479	\$	7,628,251	\$	11,008,628	\$	9,667,244	
District's covered payroll	\$	3,667,993	\$	3,479,507	\$	3,476,686	\$	3,714,821	
District's proportionate share of the net pension liability as a percentage of its covered payroll		191.13%		219.23%		316.64%		260.23%	
Plan fiduciary net position as a percentage of the total pension liability		77.31%		75.30%		66.80%		72.10%	

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

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

	2015	 2014
	0.03489369%	0.03489369%
9	8,487,353	\$ 10,110,079
\$	3,565,169	\$ 3,603,731
	238.06%	280.54%
	74.70%	69.30%

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019			2018	 2017	2016	
Contractually required contribution	\$	137,656	\$	129,721	\$ 125,355	\$	126,152
Contributions in relation to the contractually required contribution		(137,656)		(129,721)	 (125,355)		(126,152)
Contribution deficiency (excess)	\$		\$		\$ 	\$	
District's covered payroll	\$	1,019,674	\$	960,896	\$ 895,393	\$	901,086
Contributions as a percentage of covered payroll		13.50%		13.50%	14.00%		14.00%

. <u> </u>	2015	 2014	2013		2012		 2011	2010		
\$	119,493	\$ 129,954	\$	130,863	\$	127,689	\$ 117,493	\$	122,729	
	(119,493)	 (129,954)		(130,863)		(127,689)	 (117,493)		(122,729)	
\$		\$ 	\$		\$		\$ 	\$		
\$	906,624	\$ 937,619	\$	945,542	\$	949,361	\$ 934,710	\$	906,418	
	13.18%	13.86%		13.84%		13.45%	12.57%		13.54%	

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019			2018	 2017	2016	
Contractually required contribution	\$	566,703	\$	513,519	\$ 487,131	\$	486,736
Contributions in relation to the contractually required contribution		(566,703)		(513,519)	 (487,131)		(486,736)
Contribution deficiency (excess)	\$		\$		\$ 	\$	
District's covered payroll	\$	4,047,879	\$	3,667,993	\$ 3,479,507	\$	3,476,686
Contributions as a percentage of covered payroll		14.00%		14.00%	14.00%		14.00%

 2015	 2014	2013		2012		 2011	2010		
\$ 520,075	\$ 463,472	\$	468,485	\$	471,238	\$ 474,187	\$	460,746	
 (520,075)	 (463,472)		(468,485)		(471,238)	 (474,187)		(460,746)	
\$ 	\$ 	\$		\$		\$ 	\$		
\$ 3,714,821	\$ 3,565,169	\$	3,603,731	\$	3,624,908	\$ 3,647,592	\$	3,544,200	
14.00%	13.00%		13.00%		13.00%	13.00%		13.00%	

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

		2019		2018		2017
District's proportion of the net OPEB liability	0.	02904180%	0.	.02814100%	0	.02929473%
District's proportionate share of the net OPEB liability	\$	805,698	\$	755,231	\$	835,007
District's covered payroll	\$	960,896	\$	895,393	\$	901,086
District's proportionate share of the net OPEB liability as a percentage of its covered payroll		83.85%		84.35%		92.67%
Plan fiduciary net position as a percentage of the total OPEB liability		13.57%		12.46%		11.49%

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

		2019		2018		2017
District's proportion of the net OPEB liability/asset	().03188356%	().03211190%	(0.03288807%
District's proportionate share of the net OPEB liability/(asset)	\$	(512,336)	\$	1,252,888	\$	1,758,863
District's covered payroll	\$	3,667,993	\$	3,479,507	\$	3,476,686
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll		13.97%		36.01%		50.59%
Plan fiduciary net position as a percentage of the total OPEB liability/asset		176.00%		47.10%		37.30%

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019			2018	 2017	2016	
Contractually required contribution	\$	19,605	\$	19,311	\$ 14,503	\$	14,359
Contributions in relation to the contractually required contribution		(19,605)		(19,311)	 (14,503)		(14,359)
Contribution deficiency (excess)	\$		\$		\$ 	\$	
District's covered payroll	\$	1,019,674	\$	960,896	\$ 895,393	\$	901,086
Contributions as a percentage of covered payroll		1.92%		2.01%	1.62%		1.59%

 2015	 2014	2013		2012		 2011	2010		
\$ 23,713	\$ 17,012	\$	15,341	\$	18,819	\$ 27,040	\$	22,956	
 (23,713)	 (17,012)		(15,341)		(18,819)	 (27,040)		(22,956)	
\$ -	\$ 	\$	-	\$	-	\$ 	\$		
\$ 906,624	\$ 937,619	\$	945,542	\$	949,361	\$ 934,710	\$	906,418	
2.62%	1.81%		1.62%		1.98%	2.89%		2.53%	

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019		 2018		2017		2016
Contractually required contribution	\$	-	\$ -	\$	-	\$	-
Contributions in relation to the contractually required contribution		_	 				-
Contribution deficiency (excess)	\$		\$ 	\$		\$	
District's covered payroll	\$	4,047,879	\$ 3,667,993	\$	3,479,507	\$	3,476,686
Contributions as a percentage of covered payroll		0.00%	0.00%		0.00%		0.00%

2015	 2014	 2013	 2012	 2011	 2010
\$ -	\$ 36,785	\$ 36,037	\$ 36,249	\$ 36,476	\$ 35,442
	 (36,785)	 (36,037)	 (36,249)	 (36,476)	 (35,442)
\$ -	\$ -	\$ 	\$ -	\$ 	\$
\$ 3,714,821	\$ 3,565,169	\$ 3,603,731	\$ 3,624,908	\$ 3,647,592	\$ 3,544,200
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table With fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: 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, (h) the municipal bond index rate increased from 2.92% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.63% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.63% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.62% and (i) the single equivalent interest rate, net of plan

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2, 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) 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) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR Pass Through Grantor Program/Cluster Title	Federal CFDA Total Federal Number Expenditures	
U.S. DEPARTMENT OF AGRICULTURE Passed Through Ohio Department of Education		
Child Nutrition Cluster: Non - Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 34,870
Cash Assistance: National School Lunch Program School Breakfast Program Cash Assistance Subtotal:	10.555 10.553	137,309 32,946 170,255
Total Child Nutrition Cluster		205,125
Total U.S. Department of Agriculture		205,125
U.S. DEPARTMENT OF EDUCATION Passed Through Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	270,040
Special Education Cluster: Special Education_Grants to States Total Special Education Cluster	84.027	<u>227,240</u> 227,240
Rural Education	84.358	44,750
Improving Teacher Quality State Grants	84.367	36,906
Total U.S. Department of Education		578,936
Total Expenditures of Federal Awards	\$ 784,061	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Mapleton Local School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



88 East Broad Street, 5th Floor Columbus, Ohio 43215-3506 (614) 466-3402 or (800) 443-9275 CentralRegion@ohioauditor.gov

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

Mapleton Local School District Ashland County 635 County Road 801 Ashland, Ohio 44805

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' *District Auditing Standards*, the financial statements of the Governmental activities, the major fund, and the aggregate remaining fund information of the Mapleton Local School District, Ashland 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 March 24, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

Mapleton Local School District Ashland County Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards Page 2

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 *District 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

March 24, 2020



88 East Broad Street, 5th Floor Columbus, Ohio 43215-3506 (614) 466-3402 or (800) 443-9275 CentralRegion@ohioauditor.gov

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

Mapleton Local School District Ashland County 635 County Road 801 Ashland, Ohio 44805

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Mapleton Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Mapleton Local School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Mapleton Local School District Ashland County Independent Auditor's Report On Compliance With Requirements Applicable To THEEach Major Federal Program And On Internal Control Over Compliance Required By The Uniform Guidance Page 2

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in finding 2019-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Reporting applicable to its CFDA 84.010 Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, Mapleton Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies for the year ended June 30, 2019.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Mapleton Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance requirement will not be prevented, or timely detected or corrected. A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance requirement will not be prevented, or timely detected or corrected. A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2019-002.

Mapleton Local School District Ashland County Independent Auditor's Report On Compliance With Requirements Applicable To THEEach Major Federal Program And On Internal Control Over Compliance Required By The Uniform Guidance Page 2

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

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Keith Faber Auditor of State

Columbus, Ohio

March 24, 2020

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SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS					
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified			
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No			
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No			
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes			
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes			
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No			
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified - Title I Grants to Local Educational Agencies, CFDA # 84.010 Unmodified - Special Education Cluster			
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes			
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 – Title I Grants to Local Educational Agencies Special Education Cluster			
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others			
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No			

1. SUMMARY OF AUDITOR'S RESULTS

SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2019 (Continued)

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

FINDING NUMBER 2019-001

Noncompliance – Negative Fund Balances

Ohio Rev. Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance. Furthermore, **Ohio Rev. Code § 3315.20** states that a district may have a deficit in any special fund of the district only if both of the following conditions are satisfied:

A. The district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that payment will be made.

B. The unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

The District had the following negative fund balances at June 30, 2019, due to overspending in grant funds, and none of the conditions in ORC 3315.20 were noted:

Fund Name	Negative Fund Balance
Rural LDC Fund	\$ 39,532
Special Education Grants Fund	145,359
Title I Grant Fund	156,832

Negative fund balances can lead to deficit spending as well as impact the Board's ability to evaluate the government-wide cash position of the District.

The District should monitor fund balances to ensure grant expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Board should make an approved transfer or advance of funds to cover the necessary expenditures.

Officials' Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance/Material Weakness

Finding Number:	2019-002
CFDA Number and Title:	84.010 - Title I Grants to Local Educational Agencies
Federal Award Identification Number / Year:	2019
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Reporting – Final Expenditure Report
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

SCHEDULE OF FINDINGS 2 CFR § 200.515 JUNE 30, 2019 (Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2019-002 (Continued)

Noncompliance/Material Weakness (Continued)

2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.302(b)(2)** which states, in part, the financial management system of each non-Federal entity must provide for the accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in **§ 200.328** Monitoring and reporting program performance.

2 C.F.R. § 200.343(a) states, in part, the non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award.

Ohio Department of Education requires a final expenditure report (FER) to be submitted to show how grant funds were expended during the grant period for each project immediately after all financial obligations have been liquidated.

Although submitted timely, the FER was not supported by the accounting records and did not include all expenditures posted to the expenditure ledgers. The District's FER included expenditures of \$276,184 while the ledgers showed \$335,054, with a difference of \$58,870.

The District lacked procedures to ensure the amounts submitted in the Final Expenditure Report were supported by the District's accounting system. Not reporting accurate expenditures in the Final Expenditure Report could lead to inaccurate tracking of grants by the District resulting in the District having unused grant funds, not drawing down all funds available to the District, or overspending the District's grant allocation.

The Final Expenditure Report should report actual federal expenditures supported by the District's accounting records. The Treasurer should reconcile the Final Expenditure Report to District accounting records to help identify variances. This will help ensure actual expenditures reported on the Final Expenditure Report are complete and accurate.

Officials' Response: See Corrective Action Plan

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Mapleton Local Schools

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Scott Smith, Superintendent

Kathleen Wiley, Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Noncompliance – Negative Fund Balances	Not Corrected	Repeated as Finding 2019-001, see Corrective Action Plan.

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Mapleton Local Schools



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Scott Smith, Superintendent

Kathleen Wiley, Treasurer

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	We will complete transfers and reduction of expenditures as needed to address negative fund balances.	5/31/2019	Treasurer
2019-002	I will work with ODE and AOS to ensure Final Expenditure Reports are supported by the accounting ledgers in the future.	Immediately	Treasurer

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MAPLETON LOCAL SCHOOL DISTRICT

ASHLAND 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 Babbrtt

CLERK OF THE BUREAU

CERTIFIED APRIL 30, 2020

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