



OHIO AUDITOR OF STATE
KEITH FABER



**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2019**

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MAHONING COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Poland Local School District
Mahoning County
3199 Dobbins Road
Poland, Ohio 44514

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 Poland Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

January 16, 2020

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

The discussion and analysis of Poland 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 notes to the basic financial statements and 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 increased \$5,623,413 from fiscal year 2018, due mostly to decreases in the net pension and OPEB liabilities. The effects of GASB 68 and 75 distort the comparative analysis to follow in this MD&A due to the significant reduction to total expenses on a full accrual basis.
- General revenues accounted for \$21,748,136 in revenue or 92 percent of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$1,799,083 or 8 percent of total revenues of \$23,547,219.
- The District had \$17,923,806 in expenses related to governmental activities; only \$1,799,083 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,748,136 were adequate to provide for these programs, as evidenced by the overall increase in net position.
- The District's major fund is the general fund. On a modified accrual basis, the general fund had \$21,768,048 in revenues and \$19,862,393 in expenditures, excluding other financing sources and uses. The general fund balance increased \$1,137,655 from \$2,923,729 in fiscal year 2018, to \$4,061,384 in fiscal year 2019.
- The District's total net pension liability decreased to \$19,915,583 from \$23,873,154 and the OPEB liability decreased to \$725,369, from \$5,407,477, a combined decrease of over \$8 million. For more information on these liabilities see Notes 15 and 16 to the basic financial statements.

Using these Basic Financial Statements

This annual report consists of this management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand Poland Local School 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 and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the Poland Local School District, the general fund is by far the most significant fund, and is the only fund reported as major.

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(Unaudited)

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 fiscal year 2019?" The Statement of Net Position and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* 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.

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 District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 9. 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 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 balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

Poland Local School District
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These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Table 1 shows net position for fiscal year 2019 as compared to fiscal year 2018.

Table 1 - Net Position
Governmental Activities

	2019	2018	Change
Assets			
Current and Other Assets	\$21,419,742	\$20,080,278	\$1,339,464
Capital Assets, Net	12,014,384	12,182,664	(168,280)
<i>Total Assets</i>	<u>33,434,126</u>	<u>32,262,942</u>	<u>1,171,184</u>
Deferred Outflows of Resources			
Pension	5,152,882	7,311,797	(2,158,915)
OPEB	214,490	218,306	(3,816)
<i>Total Deferred Outflows of Resources</i>	<u>5,367,372</u>	<u>7,530,103</u>	<u>(2,162,731)</u>
Liabilities			
Current Liabilities	2,349,268	2,522,299	(173,031)
Long-Term Liabilities			
Due within One Year	757,899	716,151	41,748
Due in More than One Year - Pension	19,915,583	23,873,154	(3,957,571)
Due in More than One Year - OPEB	725,369	5,407,477	(4,682,108)
Due in More than One Year - Other	4,347,461	4,985,340	(637,879)
<i>Total Liabilities</i>	<u>28,095,580</u>	<u>37,504,421</u>	<u>(9,408,841)</u>
Deferred Inflows of Resources			
Property Taxes	13,488,762	13,883,159	(394,397)
Pension	4,045,744	2,845,081	1,200,663
OPEB	2,745,319	757,704	1,987,615
<i>Total Deferred Inflows of Resources</i>	<u>20,279,825</u>	<u>17,485,944</u>	<u>2,793,881</u>
Net Position			
Net Investment in Capital Assets	8,021,861	7,611,875	409,986
Restricted	1,116,560	350,104	766,456
Unrestricted (Deficit)	<u>(18,712,328)</u>	<u>(23,159,299)</u>	<u>4,446,971</u>
<i>Total Net Position</i>	<u><u>(\$9,573,907)</u></u>	<u><u>(\$15,197,320)</u></u>	<u><u>\$5,623,413</u></u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The School District 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

Poland Local School District
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understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. 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 to equal the School District's proportionate share of each plan's collective:

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's total net position was a negative \$9,573,907. Unrestricted net position at the end of the current fiscal year was a negative \$18,712,328.

The net investment in capital assets at June 30, 2019, was \$8,021,861. 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.

Restricted net position of \$1,050,057 represents resources that are subject to external restriction on how they may be used.

Table 2 - Change in Net Position
Governmental Activities

	2019	2018	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services and Sales	\$869,843	\$1,032,893	(\$163,050)
Operating Grants and Contributions	929,240	1,055,055	(125,815)
<i>Total Program Revenues</i>	<u>1,799,083</u>	<u>2,087,948</u>	<u>(288,865)</u>
General Revenues			
Property Taxes	13,661,954	14,335,670	(673,716)
Intergovernmental	7,803,553	7,757,228	46,325
Investment Earnings	151,242	58,260	92,982
Miscellaneous	131,387	199,114	(67,727)
<i>Total General Revenues</i>	<u>21,748,136</u>	<u>22,350,272</u>	<u>(602,136)</u>
<i>Total Revenues</i>	<u>\$23,547,219</u>	<u>\$24,438,220</u>	<u>(\$891,001)</u>
Program Expenses			
Instruction	10,085,771	4,864,490	5,221,281
Support Services	6,303,767	5,615,710	688,057
Operation of Non-Instructional/Food Services	672,491	625,207	47,284
Extracurricular Activities	714,372	642,856	71,516
Interest and Fiscal Charges	147,405	172,981	(25,576)
<i>Total Program Expenses</i>	<u>17,923,806</u>	<u>11,921,244</u>	<u>6,002,562</u>
<i>Change in Net Position</i>	<u>5,623,413</u>	<u>12,516,976</u>	<u>(6,893,563)</u>
Net Position Beginning of Year	<u>(15,197,320)</u>	<u>(27,714,296)</u>	<u>12,516,976</u>
<i>Net Position End of Year</i>	<u>(\$9,573,907)</u>	<u>(\$15,197,320)</u>	<u>\$5,623,413</u>

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Governmental Activities

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 91 percent of total governmental revenue. Between these two revenue items, 100 percent of total expenses were funded this fiscal year.

The largest expense of the District is for its instructional programs. Instructional expenses totaled \$10,085,771, or 56 percent, of total governmental expenses of \$17,923,806. The effects of GASB 68 and 75 greatly distort this comparative analysis due to the significant impact changes made to cost of living adjustments enacted by the state pension board had on the District's share of the total pension/OPEB liability.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total and Net Cost of Program Services

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$10,085,771	\$9,564,200	\$4,864,490	\$3,912,214
Support Services	6,303,767	6,107,594	5,615,710	5,523,743
Operation of Non-Instructional/Food Services	672,491	(48,927)	625,207	(109,580)
Extracurricular Activities	714,372	354,451	642,856	333,938
Interest and Fiscal Charges	147,405	147,405	172,981	172,981
<i>Total Expenditures</i>	<u>\$17,923,806</u>	<u>\$16,124,723</u>	<u>\$11,921,244</u>	<u>\$9,833,296</u>

The table above reflects how the District funds its programs through program revenues. Instructional services, support services, co-curricular activities, and interest charges rely heavily on general revenues, while non-instructional and food services were completely funded by program revenues during the fiscal year. The large decrease in instructional and support services is the byproduct of GASB 68 and 75 as previously discussed. To gain a better understanding of operations, please refer to the fund analysis on the next following pages.

The dependence upon general tax revenues and other general revenues for governmental activities is apparent. 100 percent of all District expenses are supported through general revenues. For all governmental activities, general revenue and prior year cash balances support all expenses as shown in the above table. The community, as a whole, is by far the primary support for District students.

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$5,081,942 which is an increase from last year's total of \$3,169,917 by 60 percent. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

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Management's Discussion and Analysis
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(Unaudited)

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Increase (Decrease)
General	\$4,061,384	\$2,923,729	\$1,137,655
Other Governmental	1,020,558	246,188	774,370
Total	\$5,081,942	\$3,169,917	\$1,912,025

General Fund

During fiscal year 2019, the District's general fund balance increased on a modified accrual basis by \$1,137,655; total revenues within the general fund increased by less than 1 percent and expenditures decreased by over 2 percent, resulting in the overall increase to fund balance. The following table assists in illustrating the financial activities and fund balance of the general fund.

	2019 Amount	2018 Amount	Percentage Change
Revenues			
Taxes	\$13,368,938	\$13,263,809	0.8 %
Earnings on investments	149,640	57,568	159.9 %
Intergovernmental	7,740,528	7,682,644	0.8 %
Other revenues	508,942	721,641	(29.5) %
Total	\$21,768,048	\$21,725,662	0.2 %
Expenditures			
Instruction	11,484,178	11,757,665	(2.3) %
Support services	7,046,015	7,453,739	(5.5) %
Extracurricular activities	516,527	557,654	(7.4) %
Capital outlay	403,758	100,562	n/a %
Debt service	411,915	414,549	(0.6) %
Total	\$19,862,393	\$20,284,169	(2.1) %

General Fund Budgeting Highlights

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

During the course of fiscal year 2019 the District amended its General Fund budget as needed.

For the General Fund, actual revenue, excluding other financing sources, was \$21,436,854, which was \$22 more than the final budgeted revenue of \$21,436,832, and was \$287,475 less than the original budget estimate of \$21,724,329. The actual and the final budgeted revenue amounts were less than the original budget due to a decrease in property tax collections not accounted for in the original budget.

Total actual expenditures, excluding other financing uses, were \$20,055,152, which was \$13,588 less than final appropriations of \$20,068,740, and \$339,870 more than original appropriations. The variance with original appropriations was due to an increase in instruction costs not included in the original budget.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$12,014,384 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles.

Table 4 shows fiscal year 2019 balances compared to fiscal year 2018:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	2019	2018
Land	\$304,780	\$304,780
Land Improvements	252,808	177,602
Buildings and Improvements	10,380,272	10,646,725
Furniture, Fixtures and Equipment	838,300	871,710
Vehicles	238,224	181,847
<i>Total</i>	\$12,014,384	\$12,182,664

All capital assets, except land, are reported net of depreciation. As one can see, the District had an overall decrease in capital assets of \$168,280. The reason for this decrease is due to current year additions of \$461,758 being less than current year depreciation of \$592,117 and net disposals of \$37,921. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Outstanding Obligations

Long-Term Obligations

The following table summarizes all of the District's outstanding long-term obligations.

Table 5
Outstanding Long-Term Obligations at Year End

	2019	2018
Lease Purchase Obligations	\$3,992,523	\$4,570,789
Compensated Absences	1,112,837	1,130,702
Net Pension Liability	19,915,583	23,873,154
Net OPEB Liability	725,369	5,407,477
<i>Total</i>	\$25,746,312	\$34,982,122

See Note 13 to the basic financial statements for additional information on the District's long-term debt obligations.

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(Unaudited)

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant revenue is expected to decrease, the reliance upon local taxes is increasingly important. Property taxes account for nearly 60 percent of the District's general fund operating revenue; thus making all levy renewals an urgent matter.

A challenge still facing the District is the future of state funding. At this time, the District is unable to determine what effect future State funding will have on its financial operations. Less than 30 percent of the District's general fund operating revenue is resulted under the current state funding formula.

In conclusion, the District has committed itself to financial excellence for many years. The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Treasurer, Poland Local School District, 3199 Dobbins Road, Poland, Ohio 44514.

Poland Local School District

Mahoning County, Ohio

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,226,010
Accounts Receivable	2,715
Intergovernmental Receivable	81,086
Property Taxes Receivable	14,107,765
Inventory Held for Resale	2,166
Nondepreciable Capital Assets	304,780
Depreciable Capital Assets, Net	11,709,604
<i>Total Assets</i>	<u>33,434,126</u>
Deferred Outflows of Resources	
Pension	5,152,882
Other Postemployment Benefits	214,490
<i>Total Deferred Outflows of Resources</i>	<u>5,367,372</u>
Liabilities	
Accounts Payable	12,662
Accrued Wages and Benefits Payable	1,895,076
Intergovernmental Payable	422,459
Matured Compensated Absences Payable	10,412
Accrued Interest Payable	8,659
Long-Term Liabilities:	
Due Within One Year	757,899
Due In More Than One Year:	
Net Pension Liability	19,915,583
Other Postemployment Benefits Liability	725,369
Other Amounts Due in More than One Year	4,347,461
<i>Total Liabilities</i>	<u>28,095,580</u>
Deferred Inflows of Resources	
Property Taxes	13,488,762
Pension	4,045,744
Other Postemployment Benefits	2,745,319
<i>Total Deferred Inflows of Resources</i>	<u>20,279,825</u>
Net Position	
Net Investment in Capital Assets	8,021,861
Restricted for:	
Capital Projects	1,050,057
Other Purposes	66,503
Unrestricted (Deficit)	(18,712,328)
<i>Total Net Position</i>	<u><u>(\$9,573,907)</u></u>

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$7,656,796	\$46,426	\$7,343	(\$7,603,027)
Special	2,152,356	0	334,633	(1,817,723)
Vocational	131,641	0	0	(131,641)
Adult/Continuing	137,733	133,169	0	(4,564)
Other	7,245	0	0	(7,245)
Support Services:				
Pupils	1,207,695	0	122,550	(1,085,145)
Instructional Staff	281,725	0	40,806	(240,919)
Board of Education	166,056	0	0	(166,056)
Administration	1,439,758	0	0	(1,439,758)
Fiscal	391,782	0	9,000	(382,782)
Operation and Maintenance of Plant	1,884,903	0	4,953	(1,879,950)
Pupil Transportation	814,756	18,864	0	(795,892)
Central	117,092	0	0	(117,092)
Operation of Non-Instructional Services	672,491	315,463	405,955	48,927
Extracurricular Activities	714,372	355,921	4,000	(354,451)
Interest and Fiscal Charges	147,405	0	0	(147,405)
<i>Total Governmental Activities</i>	<u>\$17,923,806</u>	<u>\$869,843</u>	<u>\$929,240</u>	<u>(16,124,723)</u>
General Revenues				
Property Taxes Levied for:				
				13,343,534
				318,420
Grants and Entitlements not				
				7,803,553
				151,242
				131,387
<i>Total General Revenues</i>				<u>21,748,136</u>
				5,623,413
				(15,197,320)
				<u>(\$9,573,907)</u>

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Balance Sheet
Governmental Funds
June 30, 2019*

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$6,082,534	\$1,143,476	\$7,226,010
Accounts Receivable	715	2,000	2,715
Interfund Receivable	815	0	815
Intergovernmental Receivable	707	80,379	81,086
Property Taxes Receivable	13,760,678	347,087	14,107,765
Inventory Held for Resale	0	2,166	2,166
<i>Total Assets</i>	<u>\$19,845,449</u>	<u>\$1,575,108</u>	<u>\$21,420,557</u>
Liabilities			
Accounts Payable	\$6,759	\$5,903	\$12,662
Accrued Wages and Benefits Payable	1,795,494	99,582	1,895,076
Intergovernmental Payable	397,020	25,439	422,459
Matured Compensated Absences Payable	8,659	0	8,659
Interfund Payable	0	815	815
<i>Total Liabilities</i>	<u>2,207,932</u>	<u>131,739</u>	<u>2,339,671</u>
Deferred Inflows of Resources			
Property Taxes	13,156,933	331,829	13,488,762
Unavailable Revenue - Property Taxes	419,200	10,603	429,803
Unavailable Revenue - Intergovernmental	0	80,379	80,379
<i>Total Deferred Inflows of Resources</i>	<u>13,576,133</u>	<u>422,811</u>	<u>13,998,944</u>
Fund Balances			
Restricted	0	1,127,006	1,127,006
Assigned	344,643	0	344,643
Unassigned (Deficit)	3,716,741	(106,448)	3,610,293
<i>Total Fund Balances</i>	<u>4,061,384</u>	<u>1,020,558</u>	<u>5,081,942</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$19,845,449</u>	<u>\$1,575,108</u>	<u>\$21,420,557</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019*

Total Governmental Fund Balances		\$5,081,942
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,014,384
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	429,803	
Intergovernmental	80,379	
Total		510,182
The net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred Outflows - Pension	5,152,882	
Deferred Inflows - Pension	(4,045,744)	
Net Pension Liability	(19,915,583)	
Deferred Outflows - OPEB	214,490	
Deferred Inflows - OPEB	(2,745,319)	
OPEB Liability	(725,369)	
Total		(22,064,643)
In the statement of activities, interest is accrued on outstanding bonds and lease purchase agreements, whereas in governmental funds, an interest expenditure is reported when due.		(10,412)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Lease Purchase Agreements	(3,992,523)	
Compensated Absences	(1,112,837)	
Total		(5,105,360)
<i>Net Position of Governmental Activities</i>		<i>(\$9,573,907)</i>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$13,368,938	\$318,690	\$13,687,628
Tuition and Fees	229,887	0	229,887
Interest	149,640	1,602	151,242
Charges for Services	0	315,463	315,463
Extracurricular Activities	150,250	155,322	305,572
Rentals	8,921	10,000	18,921
Contributions and Donations	2,500	1,500	4,000
Intergovernmental	7,740,528	969,036	8,709,564
Miscellaneous	117,384	14,003	131,387
<i>Total Revenues</i>	<u>21,768,048</u>	<u>1,785,616</u>	<u>23,553,664</u>
Expenditures			
Current:			
Instruction:			
Regular	9,162,511	6,759	9,169,270
Special	2,007,654	327,290	2,334,944
Vocational	169,617	0	169,617
Adult/Continuing	137,151	0	137,151
Other	7,245	0	7,245
Support Services:			
Pupils	1,270,089	121,964	1,392,053
Instructional Staff	341,498	30,516	372,014
Board of Education	166,056	0	166,056
Administration	1,765,616	0	1,765,616
Fiscal	488,300	14,312	502,612
Operation and Maintenance of Plant	2,016,850	9,002	2,025,852
Pupil Transportation	858,736	0	858,736
Central	138,870	0	138,870
Operation of Non-Instructional Services	0	744,894	744,894
Extracurricular Activities	516,527	153,441	669,968
Capital Outlay	403,758	58,000	461,758
Debt Service:			
Principal Retirement	342,080	236,186	578,266
Interest and Fiscal Charges	69,835	78,882	148,717
<i>Total Expenditures</i>	<u>19,862,393</u>	<u>1,781,246</u>	<u>21,643,639</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,905,655</u>	<u>4,370</u>	<u>1,910,025</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	2,000	0	2,000
Transfers In	0	770,000	770,000
Transfers Out	(770,000)	0	(770,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(768,000)</u>	<u>770,000</u>	<u>2,000</u>
<i>Net Change in Fund Balances</i>	1,137,655	774,370	1,912,025
<i>Fund Balance Beginning of Year</i>	2,923,729	246,188	3,169,917
<i>Fund Balance End of Year</i>	<u>\$4,061,384</u>	<u>\$1,020,558</u>	<u>\$5,081,942</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*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	\$1,912,025
 Amounts reported for governmental activities in the statement of activities are different because	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	461,758
Current Year Depreciation	(592,117)
Total	(130,359)
The net effect of various transactions involving capital assets (i.e.; disposals and sales) is a decrease in net position.	
Assets Disposed	(446,001)
Accumulated Depreciation on Disposals	408,080
Total	(37,921)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(25,674)
Intergovernmental	19,229
Total	(6,445)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
Pension	1,429,363
OPEB	46,376
Total	1,475,739
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.	
Pension	(831,376)
OPEB	2,644,307
Total	1,812,931
Repayment of long-term bond and lease/purchase principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.	
	578,266
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest on Lease Purchases	1,312
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.	
	17,865
<i>Change in Net Position of Governmental Activities:</i>	\$5,623,413

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$13,444,974	\$13,267,045	\$13,267,045	\$0
Tuition and Fees	98,015	96,718	96,718	0
Interest	150,998	149,000	149,640	640
Extracurricular Activities	79,495	78,443	78,443	0
Rentals	9,041	8,921	8,921	0
Intergovernmental	7,841,236	7,737,466	7,737,466	0
Miscellaneous	100,570	99,239	98,621	(618)
<i>Total Revenues</i>	<u>21,724,329</u>	<u>21,436,832</u>	<u>21,436,854</u>	<u>22</u>
Expenditures				
Current:				
Instruction:				
Regular	9,086,496	9,249,924	9,243,888	6,036
Special	2,024,721	2,060,990	2,032,574	28,416
Vocational	166,100	169,111	169,111	0
Other	7,159	7,245	7,245	0
Support Services:				
Pupils	1,290,413	1,313,807	1,313,158	649
Instructional Staff	334,157	340,138	340,277	(139)
Board of Education	162,436	165,189	228,140	(62,951)
Administration	1,733,870	1,765,264	1,769,724	(4,460)
Fiscal	471,608	480,158	479,820	338
Operation and Maintenance of Plant	2,095,380	2,132,012	2,127,011	5,001
Pupil Transportation	1,033,400	1,052,086	1,046,389	5,697
Central	143,376	145,975	145,975	0
Extracurricular Activities	437,236	445,163	445,163	0
Capital Outlay	324,349	329,763	294,762	35,001
Debt Service:				
Principal Retirement	335,989	342,080	342,080	0
Interest and Fiscal Charges	68,592	69,835	69,835	0
<i>Total Expenditures</i>	<u>19,715,282</u>	<u>20,068,740</u>	<u>20,055,152</u>	<u>13,588</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,009,047</u>	<u>1,368,092</u>	<u>1,381,702</u>	<u>13,610</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	2,000	2,000	0
Refund of Prior Year Expenditure	0	73,768	73,768	0
Transfers Out	(750,000)	(776,500)	(776,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(750,000)</u>	<u>(700,732)</u>	<u>(700,732)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	1,259,047	667,360	680,970	13,610
<i>Fund Balance Beginning of Year</i>	4,823,509	4,823,509	4,823,509	0
<i>Prior Year Encumbrances Appropriated</i>	218,432	218,432	218,432	0
<i>Fund Balance End of Year</i>	<u>\$6,300,988</u>	<u>\$5,709,301</u>	<u>\$5,722,911</u>	<u>\$13,610</u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,682	\$76,650
Liabilities		
Due to Students	0	\$76,650
Net Position		
Held in Trust for Scholarships	\$12,682	

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2019

	<u>Scholarship</u>
Additions	
Interest	\$296
Deductions	
	<u>0</u>
<i>Change in Net Position</i>	296
<i>Net Position Beginning of Year</i>	<u>12,386</u>
<i>Net Position End of Year</i>	<u><u>\$12,682</u></u>

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Description of the District

The Poland Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the Village of Poland and portions of surrounding townships.

The District is the 211th largest in the State of Ohio (among the 896 public school districts and community schools in the State of Ohio) in terms of enrollment. The District is staffed by 200 certified and classified personnel to provide services to approximately 1,750 students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A. - Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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 debt, the issuance of debt, or the levying of taxes. 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).

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Jointly Governed Organizations

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments
The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 493 Bev Road, Building #1, Youngstown, Ohio, 44512.

Mahoning County Career and Technical Center The Mahoning County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career and Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

Public Entity Risk Pools

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Mahoning County School Employees Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of twelve Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. - Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

Governmental Funds

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: 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 fund 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 is used to account for student activities.

C. - Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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 and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon

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enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include pension and OPEB reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 15 and 16.

In addition to liabilities, the statements of net position and balance sheets 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, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide of statement of net position (see Notes 15 and 16).

Expenses/Expenditures - 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.

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E. - Budgets

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

Tax Budget:

Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

Estimated Resources:

By 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 June 30, 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 amounts reported as the original and final budget amounts reflect the amounts in the first and final amended official certificate of estimated resources, respectively, issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, or a certificate of estimated resources saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, 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 at any level of control.

The Board of Education may pass supplemental appropriations, so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, all supplemental appropriations were legally enacted by the Board.

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

F. - Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business days(s), but only to the \$50 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. Interest revenue credited to the general fund during fiscal 2019 amounted to \$149,640, which includes \$18,185 assigned from other District funds.

For purposes of the Statement of Net Position, 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 6.

G - Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

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H. - Capital Assets

The District's only capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 10 years

I. - Interfund Activity

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

J. - Compensated Absences

Compensated absences of the District consist of vacation leave and severance 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, "Accounting for Compensated Absences", 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years of age with at least

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10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance 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 additional salary related payments.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

K. - 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 are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, 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. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. - Fund Balances

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. 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

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also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

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

M. – Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 systems. 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 systems report investments at fair value.

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O. - Estimates

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

Note 3 – Change in Accounting Principle

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

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement also requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The implementation of GASB Statement 83 did not have an effect on beginning net position or fund balance as previously reported.

GASB Statement No. 88 aims to improve consistency in accounting and financial reporting by improving the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The implementation of GASB Statement 88 did not have an effect on beginning net position or fund balance as previously reported.

Note 4 – Fund Deficits

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

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service	\$35,172
IDEA Part B	70,391
Improving Teacher Quality	520
Miscellaneous Federal Grants	365

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The deficit fund balances in these funds are the result of adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).
4. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the adult education, public school support and underground storage tank special revenue funds.

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

Net Change in Fund Balance	
GAAP Basis	\$1,137,655
Net Adjustment for Revenue Accruals	(242,265)
Net Adjustment for Expenditure Accruals	65,141
Net Adjustment for Funds Budgeted as Special Revenue	(15,161)
Adjustment for Encumbrances	(264,400)
Budget Basis	<u><u>\$680,970</u></u>

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Note 6 - Deposits and Investments

Monies held by the District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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 held by the District can 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 payment of 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, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Protection of 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

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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. Cash on Hand

At fiscal year-end, the District had \$2,390 in undeposited cash on hand, which is included in the Basic Financial Statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits

At June 30, 2019, the carrying value amount of all the District's deposits was \$1,655,800. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2019, none of the District's bank balance of \$1,770,189 was exposed to custodial risk as described below, meaning all \$1,770,189 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although securities were held by the pledging institutions' trust department and 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.

C. Investments

As of June 30, 2019, the District had the following investments. STAR Ohio is measured at net asset value per share.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$5,657,152</u>	6 Months or Less

The weighted average of maturities is one day.

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Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

Concentration of Credit Risk The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District places no limit on the amount it may invest in any one issuer. The District's investment in STAR Ohio and repurchase agreements represents 82 and 18 percent, respectively, of all District investments.

D. Reconciliation of Cash and Investments to the Statement of Net positions

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of June 30, 2019:

<u>Cash and Investments per Note Disclosure:</u>		<u>Cash and Investments per Statement of Net Position:</u>	
Carrying amount of deposits	\$1,655,800	Governmental Activities	\$7,226,010
Investments	5,657,152	Private-purpose trust funds	12,682
Cash on hand	<u>2,390</u>	Agency funds	<u>76,650</u>
Total	<u>\$7,315,342</u>	Total	<u>\$7,315,342</u>

Note 7 - Property Taxes

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

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

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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 December 31, 2016, were levied after April 1, 2018 and are collected in 2019 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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 of resources – property taxes.

The amount available as an advance at June 30, 2019 was \$184,545 in the general fund and \$4,655 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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	\$389,922,220	96.47 %	\$388,872,390	96.44 %
Public Utility Personal	14,254,880	3.53	14,346,670	3.56
Total	\$404,177,100	100.00 %	\$403,219,060	100.00 %
Tax rate per \$1,000 of assessed valuation	\$51.40		\$51.00	

Note 8 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds.

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The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental	Total
<i>Restricted for</i>			
Athletics & Music	\$0	\$39,709	\$39,709
Auxiliary Services	0	35,011	35,011
Capital Improvements	0	1,039,454	1,039,454
Other Purposes	0	12,832	12,832
<i>Total Restricted</i>	<u>0</u>	<u>1,127,006</u>	<u>1,127,006</u>
<i>Assigned to</i>			
Other Purposes	85,038	0	85,038
Encumbrances	259,605	0	259,605
<i>Total Assigned</i>	<u>344,643</u>	<u>0</u>	<u>344,643</u>
<i>Unassigned (Deficit)</i>	<u>3,716,741</u>	<u>(106,448)</u>	<u>3,610,293</u>
<i>Total Fund Balances</i>	<u>\$4,061,384</u>	<u>\$1,020,558</u>	<u>\$5,081,942</u>

Note 9 - Capital Assets

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

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$304,780	\$0	\$0	\$304,780
<i>Capital assets being depreciated:</i>				
Land improvements	1,878,341	149,000	0	2,027,341
Buildings and improvements	19,317,248	20,429	0	19,337,677
Furniture, fixtures and equipment	3,203,906	129,721	(66,799)	3,266,828
Vehicles	1,358,453	162,608	(379,202)	1,141,859
<i>Total capital assets being depreciated</i>	<u>25,757,948</u>	<u>461,758</u>	<u>(446,001)</u>	<u>25,773,705</u>
<i>Accumulated depreciation:</i>				
Land improvements	(1,700,739)	(73,794)	0	(1,774,533)
Buildings and improvements	(8,670,523)	(286,882)	0	(8,957,405)
Furniture, fixtures and equipment	(2,332,196)	(163,131)	66,799	(2,428,528)
Vehicles	(1,176,606)	(68,310)	341,281	(903,635)
<i>Total accumulated depreciation</i>	<u>(13,880,064)</u>	<u>(592,117) *</u>	<u>408,080</u>	<u>(14,064,101)</u>
Capital assets being depreciated, net	<u>11,877,884</u>	<u>(130,359)</u>	<u>(37,921)</u>	<u>11,709,604</u>
Governmental activities capital assets, net	<u>\$12,182,664</u>	<u>(\$130,359)</u>	<u>(\$37,921)</u>	<u>\$12,014,384</u>

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For the Fiscal Year Ended June 30, 2019

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$406,195
Special	4,204
Adult/Continuing	582
Support Services:	
Instructional Staff	3,712
Administration	3,712
Fiscal	3,712
Operation and Maintenance of Plant	28,923
Pupil Transportation	9,146
Operation of Non-Instructional Services	6,102
Extracurricular	<u>125,829</u>
Total Depreciation Expense	<u><u>\$592,117</u></u>

Note 10 - Receivables

Receivables at June 30, 2019, consisted of taxes, accounts (rent, student fees and tuition), 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 fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental Activities:	
Property Taxes	\$14,107,765
Accounts	2,715
Intergovernmental	<u>81,086</u>
Total Receivables	<u><u>\$14,191,566</u></u>

Note 11 – Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn twenty days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 285 days for all employees. Upon retirement, classified employees with at least 10 years of service will receive payment for one-third of their total sick leave accumulation up to a maximum of 63 days.

Upon retirement, certified employees with at least 10 years of service receive payment for one-third of their total sick leave accumulation up to a maximum of 60 days.

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For the Fiscal Year Ended June 30, 2019

Note 12 – Lease Purchase Agreements

On May 1, 2002, the District entered into a \$5,500,000 lease-purchase agreement with Chemical Bank, to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the Chemical Bank. The District is the lessor and Chemical Bank is the lessee under the ground-lease agreement. The ground-lease commenced on May 17, 2002 and terminates on May 1, 2032 or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option. General capital assets consisting of buildings have been capitalized in the governmental activities of the District in the amount of \$5,808,778.

In fiscal year 2008, the District entered into a \$3,000,000 lease-purchase agreement with Farmers National Bank to finance the construction of a new stadium and land improvements. The sources of revenue to fund the principal and interest payments are derived from donations and general operating revenues of the District. General capital assets consisting of buildings and land improvements have been capitalized in the governmental activities of the District in the amount of \$2,980,852.

In fiscal year 2010, the District entered into a \$1,743,000 lease-purchase agreement to provide for energy improvements to District buildings. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District. General capital assets consisting of building improvements have been capitalized in the governmental activities of the District in the amount of \$1,743,000.

The amounts capitalized under these lease-purchase agreements include the costs of the Projects funded by these agreements that were incurred as of June 30, 2019.

During fiscal year 2019, the District made payments of \$578,266 in principal and \$148,717 in interest on these lease-purchase agreements and a liability in the amount of the present value of the minimum lease payments has been recorded in the governmental activities of the District.

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

<u>Fiscal Year Ending June 30,</u>	
2020	\$730,529
2021	729,512
2022	729,336
2023	724,554
2024	460,891
2025 - 2027	995,931
Total Minimum Lease Payments	<u>4,370,753</u>
Less: Amount Representing Interest	<u>(378,230)</u>
Present Value of Minimum Lease	<u><u>\$3,992,523</u></u>

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Notes to the Basic Financial Statements
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Note 13 - Long-term Obligations

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

	Balance at 06/30/18	Increases	Decreases	Balance at 6/30/19	Amounts Due in One Year
Governmental Activities:					
<u>Other Long-Term Obligations:</u>					
Lease purchase agreements	4,570,789	0	(578,266)	3,992,523	620,070
Compensated absences	1,130,702	123,603	(141,468)	1,112,837	137,829
Total Before Net Pension & OPEB Liability	5,701,491	123,603	(719,734)	5,105,360	757,899
<u>Net Pension Liability:</u>					
STRS	18,732,167	0	(2,669,519)	16,062,648	0
SERS	5,140,987	0	(1,288,052)	3,852,935	0
Total Net Pension Liability	23,873,154	0	(3,957,571)	19,915,583	0
<u>Net OPEB Liability (Asset):</u>					
STRS	3,076,630	0	(4,250,512)	(1,173,882)	0
SERS	2,330,847	0	(431,596)	1,899,251	0
Total Net OPEB Liability (Asset)	5,407,477	0	(4,682,108)	725,369	0
Total	\$34,982,122	\$123,603	(\$9,359,413)	\$25,746,312	\$757,899

Lease Purchase Agreements: See Note 12 for detailed information on the lease-purchase agreements.

Compensated Absences: Compensated absences will be paid from the fund in which the employees' salaries are paid. For the District this includes the general fund and the food service, auxiliary services, IDEA grant and Title I grant special revenue funds.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 15 and 16.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent 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 percent of the property valuation of the District.

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

The effects of these debt limitations at June 30, 2019, are a legal voted debt margin of \$36,375,939, a legal unvoted debt margin of \$404,177, and a legal energy conservation debt margin of \$3,637,594.

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For the Fiscal Year Ended June 30, 2019

Note 14 - Risk Management

A. Property, Fleet and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

B. Employee Group Health Insurance

The District pays insurance premiums for all full-time employees, less a 10 percent co-pay paid by the employee. For part-time employees, premiums paid by the District based on a percentage worked.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2A). 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. 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.

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 worker's 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 will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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Note 15 – Defined Benefits Pension Plans

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

A. Net Pension Liability/Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

B. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was \$266,315 for fiscal year 2019. Of this amount \$140,004 is reported as an intergovernmental payable.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

C. State Teachers Retirement System

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

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

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least

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Notes to the Basic Financial Statements
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ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The District's contractually required contribution to STRS was \$1,163,048 for fiscal year 2019. Of this amount \$194,152 is reported as an intergovernmental payable.

D. 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	0.08604480%	0.07885497%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.06727450%</u>	<u>0.07305270%</u>	
Change in Proportionate Share	<u>-0.01877030%</u>	<u>-0.00580227%</u>	
Proportionate Share of the Net			
Pension Liability	\$3,852,935	\$16,062,648	\$19,915,583
Pension Expense	(\$159,066)	\$990,442	\$831,376

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

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Notes to the Basic Financial Statements
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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$211,307	\$370,778	\$582,085
Change of Assumptions	87,007	2,846,604	2,933,611
Change in Proportionate Share	6,333	201,490	207,823
District contributions subsequent to the measurement date	266,315	1,163,048	1,429,363
Total Deferred Outflows of Resources	\$570,962	\$4,581,920	\$5,152,882
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$104,899	\$104,899
Net difference between projected and actual earnings on pension plan investments	106,752	974,021	1,080,773
Change in Proportionate Share	767,263	2,092,809	2,860,072
Total Deferred Inflows of Resources	\$874,015	\$3,171,729	\$4,045,744

\$1,429,363 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	(\$196,405)	\$856,091	\$659,686
2021	(391,742)	203,210	(188,532)
2022	(505,085)	(397,150)	(902,235)
2023	523,864	(415,008)	108,856
Total	(\$569,368)	\$247,143	(\$322,225)

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.

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Notes to the Basic Financial Statements
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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:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
COLA or Ad hoc COLA	2.50 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
Wage Inflation	3.00 Percent

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

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

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

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

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

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*Notes to the Basic Financial Statements
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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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the Net Pension Liability	\$5,427,150	\$3,852,935	\$2,533,062

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Projected Salary Increases	12.50 Percent at Age 20 to 2.50 Percent at Age 65
Investment Rate of Return	7.45 Percent, Net of Investment Expenses, Including Inflation
Discount Rate of Return	7.45 Percent
Payroll Increases	3.00 Percent
Cost of Living Adjustments (COLA)	0 Percent, Effective July 1, 2017

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

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

STRS' 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:

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Fixed Income	21.00	3.00
Alternatives	17.00	7.09
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	7.45 %

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the 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 percent, 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 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	\$23,457,384	\$16,062,648	\$9,804,008

E. Social Security System

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

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

Note 16 – Defined Benefit Other Postemployment Benefit (OPEB) Plans

See note 15 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$36,513.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$46,376 for fiscal year 2019. Of this amount \$36,513 is reported as an intergovernmental payable.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability 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	0.08685080%	0.07885497%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.06845950%</u>	<u>0.07305270%</u>	
Change in Proportionate Share	<u>-0.01839130%</u>	<u>-0.00580227%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$1,899,251	(\$1,173,882)	\$725,369
OPEB Expense	(\$63,718)	(\$2,580,589)	(\$2,644,307)

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

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For the Fiscal Year Ended June 30, 2019

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$31,002	\$137,112	\$168,114
District contributions subsequent to the measurement date	46,376	0	46,376
Total Deferred Outflows of Resources	\$77,378	\$137,112	\$214,490
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$68,394	\$68,394
Net difference between projected and actual earnings on pension plan investments	2,849	134,105	136,954
Change of Assumptions	170,634	1,599,508	1,770,142
Change in Proportionate Share	563,062	206,767	769,829
Total Deferred Inflows of Resources	\$736,545	\$2,008,774	\$2,745,319

\$46,376 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 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	(\$210,440)	(\$332,540)	(\$542,980)
2021	(182,150)	(332,540)	(514,690)
2022	(92,551)	(332,540)	(425,091)
2023	(91,336)	(371,007)	(462,343)
2024	(91,535)	(256,938)	(348,473)
Thereafter	(37,531)	(246,097)	(283,628)
Total	(\$705,543)	(\$1,871,662)	(\$2,577,205)

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.

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15 for details.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability (asset)	\$2,304,592	\$1,899,251	\$1,578,297
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25% decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability (asset)	\$1,532,348	\$1,899,251	\$2,385,098

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Actuarial Assumptions - STRS

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

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

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

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

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

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$1,006,127	\$1,173,882	\$1,314,873
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$1,306,914	\$1,173,882	\$1,038,779

Note 17 - Interfund Activity

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

	Transfers In	Transfers Out
Major Governmental Fund:		
General	\$0	\$770,000
Non-major Governmental Fund:		
Permanent Improvement	750,000	
Food Service	20,000	0
Total	\$770,000	\$770,000

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

Transfers are used to 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 use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

The general fund transferred \$20,000 to the food service special revenue fund to help cover costs and \$770,000 to the permanent improvement fund.

Note 18 – Other Commitments

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned fund balance. At year end, the District's only significant commitment for encumbrances was in the general fund in the amount of \$264,400. Total encumbrances outstanding for all District funds was \$353,113 at fiscal year-end.

Note 19 - Set-Asides

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2018	\$0
Current Year Set-Aside Requirement	338,030
Qualifying Disbursements	(595,694)
Current Year Offsets	(364,801)
Total	(\$622,465)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0
Cash balance as of June 30, 2019	\$0

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

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

Note 20 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

B. Litigation

The District is not currently party to any legal proceedings.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by Schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are finalized. As a result, the finalized FTE adjustments for fiscal year 2019 had no impact on the School District's financial statements.

Note 21 – Subsequent Event

The Board of Education passed Resolution 2019-221, for the approval of a ground lease, lease purchase, and refinance agreement relating to facility improvements for a District-wide HVAC system, stadium facility improvements (turf & track), other eventual acquisition of facilities, and other authorized approved propositions where needed, not exceeding more than the current loan of \$5,500,000.

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

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.06727450%	0.08604480%	0.09297150%	0.09233090%	0.09125200%	0.09125200%
School District's Proportionate Share of the Net Pension Liability	\$3,852,935	\$5,140,987	\$6,804,656	\$5,268,491	\$4,618,212	\$5,426,464
School District's Employee Payroll	\$2,612,100	\$3,048,879	\$2,796,293	\$2,924,985	\$2,666,652	\$2,418,707
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	147.50%	168.62%	243.35%	180.12%	173.18%	224.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

Poland Local School District
Mahoning County, Ohio

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

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.073052700%	0.078854970%	0.084115160%	0.087839370%	0.084339460%	0.084339460%
School District's Proportionate Share of the Net Pension Liability	\$16,062,648	\$18,732,167	\$28,155,880	\$24,276,233	\$20,514,275	\$24,436,471
School District's Employee Payroll	\$8,641,393	\$9,504,207	\$9,067,514	\$9,342,086	\$9,786,246	\$9,068,397
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	185.88%	197.09%	310.51%	259.86%	209.62%	269.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

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Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Pension Contribution	\$266,315	\$365,694	\$426,843	\$391,481
Pension Contributions in Relation to the Contractually Required Contribution	(\$266,315)	(\$365,694)	(\$426,843)	(\$391,481)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,972,704	\$2,612,100	\$3,048,879	\$2,796,293
Contributions as a Percentage of Employee Payroll	13.50%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
\$385,513	\$369,598	\$334,749	\$310,642	\$289,428	\$306,308
(\$385,513)	(\$369,598)	(\$334,749)	(\$310,642)	(\$289,428)	(\$306,308)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,924,985	\$2,666,652	\$2,418,707	\$2,309,606	\$2,302,530	\$2,262,245
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

Poland Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Pension Contribution	\$1,163,048	\$1,209,795	\$1,330,589	\$1,269,452
Pension Contributions in Relation to the Contractually Required Contribution	(\$1,163,048)	(\$1,209,795)	(\$1,330,589)	(\$1,269,452)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,307,486	\$8,641,393	\$9,504,207	\$9,067,514
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
\$1,307,892	\$1,272,212	\$1,178,892	\$1,237,410	\$1,281,450	\$1,273,350
(\$1,307,892)	(\$1,272,212)	(\$1,178,892)	(\$1,237,410)	(\$1,281,450)	(\$1,273,350)
\$0	\$0	\$0	\$0	\$0	\$0
\$9,342,086	\$9,786,246	\$9,068,397	\$9,518,536	\$9,857,308	\$9,795,000
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Poland Local School District
Mahoning County, Ohio

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.06845950%	0.08685080%	0.08685080%
School District's Proportionate Share of the Net OPEB Liability	\$1,899,251	\$2,330,847	\$2,475,569
School District's Employee Payroll	\$2,612,100	\$3,048,879	\$2,796,293
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Employee Payroll	72.71%	76.45%	88.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Poland Local School District
Mahoning County, Ohio

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.073052700%	0.078854970%	0.084115160%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$1,173,882)	\$3,076,630	\$4,217,184
School District's Employee Payroll	\$8,641,393	\$9,504,207	\$9,067,514
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Employee Payroll	-13.58%	32.37%	46.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

Poland Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio (SERS)
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required OPEB Contribution	\$46,376	\$40,704	\$45,186	\$34,779
OPEB Contributions in Relation to the Contractually Required Contribution	(\$46,376)	(\$40,704)	(\$45,186)	(\$34,779)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,972,704	\$2,612,100	\$3,048,879	\$2,796,293
Contributions as a Percentage of Employee Payroll	2.35%	1.56%	1.48%	1.24%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
\$72,179	\$67,564	\$43,316	\$54,556	\$75,231	\$49,505
(\$72,179)	(\$67,564)	(\$43,316)	(\$54,556)	(\$75,231)	(\$49,505)
\$0	\$0	\$0	\$0	\$0	\$0
\$2,924,985	\$2,666,652	\$2,418,707	\$2,309,606	\$2,302,530	\$2,262,245
2.47%	2.53%	1.79%	2.36%	3.27%	2.19%

Poland Local School District
Mahoning County, Ohio

*Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio (STRS)
Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required OPEB Contribution	\$0	\$0	\$0	\$0
OPEB Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	\$0
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$8,307,486	\$8,641,393	\$9,504,207	\$9,067,514
Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
\$0	\$97,862	\$90,684	\$95,185	\$98,573	\$97,950
\$0	(\$97,862)	(\$90,684)	(\$95,185)	(\$98,573)	(\$97,950)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$9,342,086	\$9,786,246	\$9,068,397	\$9,518,536	\$9,857,308	\$9,795,000
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Poland Local School District
Mahoning County, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019*

Net Pension Liability

Changes in Assumptions - SERS

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

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

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

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

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

Starting in fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-

Poland Local School District
Mahoning County, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS OPEB

Starting in fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

Poland Local School District
Mahoning County
3199 Dobbins Road
Poland, Ohio 44514

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Poland Local School District, Mahoning 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 January 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

January 16, 2020

OHIO AUDITOR OF STATE KEITH FABER



POLAND LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2020**