WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Wellington Exempted Village School District
Lorain County
305 Union Street
Wellington, Ohio 44090

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 Wellington Exempted Village School District, Lorain 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 Wellington Exempted Village School District, Lorain County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 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

April 3, 2020

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It is a privilege to present to you the financial picture of the Wellington Exempted Village School District. The discussion and analysis of the Wellington Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- Net position of governmental activities increased $1,527,135 from 2018. Further analysis of this increase may be found on page seven.

- Revenues for governmental activities totaled $16,065,997 in 2019. Of this total, $13,710,646 or 85.3% consisted of general revenues while program revenues accounted for the balance of $2,355,351 or 14.7%.

- The School District had $14,538,862 in expenses related to governmental activities; only $2,355,351 of these expenses was offset by program specific charges for services, operating and capital grants and contributions. General revenues (primarily taxes and school foundation) of $13,710,646 were adequate for these programs.

- Program expenses totaled $14,538,862. Instructional expenses made up $7,523,756 or 51.8% of this total while support services accounted for $5,588,639 or 38.4%. Other expenses, $1,426,467 rounded out the remaining 9.8%.

- At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of $6,914,062, a decrease of $590,414 from 2018.

- The net pension and net other postemployment benefits (OPEB) liability combined decreased $2,617,445 from 2018. This decrease is mainly due to better than expected investment returns. In addition to the decrease indicated, one retirement system is now reporting an asset related to OPEB.

Using this Annual Financial Report

This annual report consists of a series of financial statements, notes to those statements and the required supplementary information. These statements are organized so the reader can understand the Wellington Exempted Village 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Wellington Exempted Village School District, the general fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the School District as a whole begins on page seven. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Position* and the *Statement of Activities* assist in answering these questions. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in this position. This change in net position is important because it tells the readers that, for the School District as a whole, the financial position of the School 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 School 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 School District's activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2019, the School District had an increase in net position of $1,527,135.

Net investment in capital assets reported on the government-wide statements represents a large component of net position. Capital assets include land and construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles which are used to provide services to students and are not available for future spending. Although the School 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.

A portion of the School District's net position, $1,908,531, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted net position, $811,374 is restricted for capital projects, $365,561 is restricted for debt service and $731,596 is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

Table 1 provides a summary of the School District's net position for 2019 compared to 2018:

Table 1
Net Position
Governmental Activities

	2019	2018
Assets		
Current and other assets	$ 12,935,428	$ 12,965,706
Net OPEB asset	704,077	-
Capital assets, net of depreciation	21,384,427	21,719,941
Total assets	35,023,932	34,685,647
Deferred outflows of resources		
Pension	3,170,365	3,989,564
OPEB	226,749	149,287
Total deferred outflows of resources	3,397,114	4,138,851
Liabilities		
Other liabilities	1,213,951	1,065,142
Long-term liabilities:		
Due within one year	632,735	542,372
Due in more than one year:		
Net pension liability	12,614,672	13,602,976
Net OPEB liability	1,462,354	3,091,495
Other amounts	12,115,507	12,481,521
Total liabilities	28,039,219	30,783,506
Deferred inflows of resources		
Property taxes	4,452,230	4,167,705
Pension	2,241,104	2,589,172
OPEB	1,298,098	420,855
Total deferred inflows of resources	7,991,432	7,177,732
Net Position		
Net investment in capital assets	10,017,049	10,069,404
Restricted	1,908,531	958,315
Unrestricted	(9,535,185)	(10,164,459)
Total net position	$ 2,390,395	$ 863,260

Table 2 shows the changes in net position for fiscal years 2019 and 2018.

Table 2
Governmental Activities

	2019	2018
Program Revenues		
Charges for services	$ 1,020,784	$ 944,898
Operating grants and contributions	1,334,567	1,042,271
Total program revenues	2,355,351	1,987,169
General Revenues		
Property taxes	5,469,296	6,030,231
Income taxes	2,253,678	2,109,882
Grants and entitlements	5,775,489	5,705,532
Payments in lieu taxes	3,221	3,220
Investment earnings	109,309	28,946
Miscellaneous	99,653	52,362
Total general revenues	13,710,646	13,930,173
Total revenues	16,065,997	15,917,342
Program Expenses		
Instruction:		
Regular	5,606,193	2,482,258
Special	1,599,861	625,317
Vocational	227,116	38,859
Other	90,586	94,429
Support services:		
Pupils	1,047,454	547,019
Instructional staff	667,466	796,353
Board of education	51,588	48,418
Administration	1,068,349	665,696
Fiscal	538,107	496,858
Business	-	4,058
Operation and maintenance of plant	1,422,873	1,290,944
Pupil transportation	670,751	555,832
Central	122,051	83,855
Operation non-instructional services	495,874	499,554
Extracurricular activities	467,940	313,820
Intergovernmental	-	151,433
Interest and fiscal charges	462,653	467,083
Total Program Expenses	14,538,862	9,161,786
Change in net position	1,527,135	6,755,556
Net position at beginning of year	863,260	(5,892,296)
Net position at end of year	$ 2,390,395	$ 863,260

The net pension liability is the largest single liability reported by the School District at June 30, 2019.

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 or asset, respectively, not accounted for as deferred inflows/outflows.

Governmental Activities

The vast majority of revenues supporting governmental activities were general revenues. General revenues totaled $13,710,646 or 84.3% of total revenue. The most significant portion of the general revenue is property taxes which is 34.04% of total revenue and intergovernmental grants and entitlements revenue (consisting of state foundation, homestead and rollback, and personal property tax exemption) which is 35.95% of total revenue. Income taxes accounted for 14.03% of total revenue. Payments in lieu of taxes, investment earnings and miscellaneous revenue account for 1.32% of total revenue. The remaining amount of revenue received was in the form of program revenues, which equated $2,355,351 or 14.7% of total revenue.

With the combination of taxes and intergovernmental funding comprising approximately 84.02% of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 shows that the total cost of instructional services was $7,523,756, or 57.8% of all governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils as well as the interaction between teacher and pupil.

Pupil service and instructional staff expenses include the activities involved in assisting staff and the content and process of teaching to pupils. Such expenses represent $1,714,920, or 11.8% of total governmental program expenses.

The board of education, administration and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. Combined, these costs totaled $1,658,044, or 11.4% of all governmental expenses.

Costs associated with the operation and maintenance of plant represent those expenses necessary for the care and upkeep of the School District's buildings, grounds and equipment. Current year expenses of $1,422,873 made up 9.8% of all governmental expenses.

Pupil transportation is related primarily to the activities at the School District's Transportation Center. This amount mainly includes salaries and wages, maintenance, fuel costs and depreciation of related vehicles, equipment and buildings. For 2019, this expense is $670,751 or 4.6% of all governmental expenses.

The dependence upon tax revenues for governmental activities is apparent with only 16.2% of governmental expenses supported by program revenues.

As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability, related deferred inflows of resources and an increase in pension expense for the fiscal year which have a negative effect on net position. In addition, the School District is reporting a net OPEB asset, deferred outflows of resources and a decrease in expenses related to OPEB, which have a positive impact on net position. The increase and decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability or asset that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.
To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

	2019	2018
Deferred outflows - pension	$ 3,170,365	$ 3,989,564
Deferred outflows - OPEB	226,749	149,287
Deferred inflows - pension	(2,241,104)	(2,589,172)
Deferred inflows - OPEB	(1,298,098)	(420,855)
Net pension liability	(12,614,672)	(13,602,976)
Net OPEB asset	704,077	-
Net OPEB liability	(1,462,354)	(3,091,495)
Impact of GASB 68 and GABB 75 on net position	$ (13,515,037)	$ (15,565,647)

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The total revenues and other financing sources for governmental funds were $16,539,346 and total expenditures and other financing uses were $17,129,760. The total governmental funds balance decreased by $590,414, the School District continues to be financially stable with a total governmental fund balance of $6,914,062 at year-end.

Table 3 shows fiscal year 2019 fund balances compared to fiscal year 2018.

Table 3
Fund Balances

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Increase/ (Decrease)	Percent Change
General	$ 5,133,198	$ 5,382,139	$ (248,941)	(4.63%)
Other governmental	1,780,864	2,122,337	(341,473)	(16.09%)
Total	$ 6,914,062	$ 7,504,476	$ (590,414)	

General Fund

The net change in fund balance for the fiscal year was significant in the general fund reporting a fund balance of $5,133,198, a decrease of $248,941 from 2018. The most significant change in revenues was a decrease of $450,008 in property taxes. The decrease in property tax is due to varying amounts available as an advance each year that is recognized as revenue. Total expenditures increased mainly in the area of instruction.

Table 4
General Fund Changes in Revenues and Expenditures

	2019 Amount	2018 Amount	Increase (Decrease)	Percent Change
Revenues:				
Property taxes	$ 4,895,410	$ 5,345,418	$ (450,008)	(8.42%)
Income taxes	2,253,678	2,109,882	143,796	6.82%
Intergovernmental	5,780,513	5,675,124	105,389	1.86%
Interest	109,309	28,001	81,308	290.38%
Tuition and fees	616,366	611,726	4,640	0.76%
Extracurricular activities	30,922	37,536	(6,614)	(17.62%)
Gifts and donations	11,913	36,943	(25,030)	(67.75%)
Charges for services	6,600	22,238	(15,638)	(70.32%)
Payments in lieu of taxes	3,221	3,220	1	0.03%
Miscellaneous	106,375	36,316	70,059	192.91%
Total revenues	13,814,307	13,906,404	(92,097)	
Expenditures:				
Current:				
Instruction:				
Regular	5,971,544	5,904,939	66,605	1.13%
Special	1,555,791	1,256,148	299,643	23.85%
Vocational	247,713	121,515	126,198	103.85%
Support services:				
Pupils	1,119,776	950,561	169,215	17.80%
Instructional staff	380,240	515,599	(135,359)	(26.25%)
Board of education	52,081	49,953	2,128	4.26%
Administration	1,227,080	1,104,974	122,106	11.05%
Fiscal	521,275	519,176	2,099	0.40%
Business	-	8,498	(8,498)	(100.00%)
Operation and maintenance of plant	1,192,032	1,164,002	28,030	2.41%
Pupil transportation	607,513	486,540	120,973	24.86%
Central	125,240	96,278	28,962	30.08%
Operation of non-instructional services	12,458	41,996	(29,538)	(70.34%)
Extracurricular	327,589	318,689	8,900	2.79%
Capital outlay	72,346	5,500	66,846	1215.38%
Debt service:				
Principal retirement	46,799	93,200	(46,401)	(49.79%)
Interest and fiscal charges	4,189	6,516	(2,327)	(35.71%)
Total expenditures	$ 13,463,666	$ 12,644,084	$ 819,582	

General Fund Budgeting Highlights

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

For the general fund, the final budget basis revenue and other financing sources was $13,668,197 which was $234,274 less than the original budget estimate of $13,902,471. Actual revenue and other financing sources for the general fund was $13,759,742, an increase of $91,545 from the final budget estimate. This increase was not attributed to any single reason. The School District's general fund unencumbered cash balance at the end of the fiscal year was $3,810,063.

The original budgeted expenditures and other financing uses for the fiscal year were $13,822,590. The final amended budget appropriations and other financing uses of $14,549,215 were $726,625 more than what was originally anticipated. Actual expenditures, including encumbrances were under budget by $337,077. This was the result of conservative spending by the School District.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

A. Capital Assets

At the end of fiscal year 2019, the School District had $21,384,427 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 5 shows fiscal year 2019 values compared to 2018.

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	$ 1,465,737	$ 1,465,737
Construction in progress	140,844	162,964
Land improvements	1,310,108	1,168,078
Buildings and improvements	17,058,790	17,180,540
Furniture and equipment	981,279	1,468,647
Vehicles	427,669	273,975
Total capital assets	$ 21,384,427	$ 21,719,941

The most significant change during the fiscal year was additions for four vehicles which include two new school buses, asphalt paving for a parking lot and construction in progress on the track and field redevelopment project.

All capital assets, except land and construction in progress, are reported net of depreciation. Additional information on capital assets can be found in Note 8.

B. Debt Administration

At June 30, 2019, the School District had $11,825,000 in bonds (including bond accretion) and capital leases outstanding with $343,698 due within one year. Table 6 summarizes the bonds outstanding:

Table 6
Outstanding Debt, at Fiscal Year End
Governmental Activities

	2019	2018
2011 Energy Conservation Bonds	$ 520,000	$ 590,000
2016 Energy Conservation Bonds	250,346	268,346
School Improvement Bonds, 2013A	6,742,984	6,845,715
Unamortized premium	122,732	131,441
School Improvement Bonds, 2013B	4,002,557	4,005,442
Unamortized premium	76,159	79,499
Capital leases	110,222	169,152
Total outstanding	$ 11,825,000	$ 12,089,595

During the fiscal year 2011, the School District issued $1,046,000 in energy conservation bonds in the form of federally taxable direct payment qualified school construction bonds at an interest rate of 6%. These bonds were issued to fund energy conservation related projects within the School District.

During the fiscal year 2013, the School District issued $7,499,950 and $4,074,983 in school improvement bonds. These bonds were issued to fund the school facilities projects.

During the fiscal year 2016, the School Districted issued $302,346 in energy conservation bonds with an interest rate of 2.90% for the purpose of purchasing and installing energy conservation measures. See Note 13 and 14 to the basic financial statements for details on the School District's long-term obligations.

School District Outlook

Wellington Exempted Village School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Wellington Exempted Village School District and the surrounding area are very much under review and analysis.

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio works toward a solution to the State's unconstitutional education funding system. Although the School District relies heavily on its property taxpayers to support its operations, community support remains quite strong.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tina Gabler, Treasurer at Wellington Exempted Village School District, 305 Union Street, Wellington, Ohio 44090, or call 440-647-4286.

Wellington Exempted Village School District

Statement of Net Position

June 30, 2019

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents	$	5,633,363
Inventory held for resale		11,484
Receivables:		
Accounts		86,351
Intergovernmental		332,446
Property taxes		5,791,352
Income taxes		806,565
Prepaid items		273,867
Net OPEB asset		704,077
Capital assets:		
Nondepreciable capital assets		1,606,581
Depreciable capital assets		28,117,158
Accumulated depreciation		(8,339,312)
Total capital assets		21,384,427
Total assets		35,023,932
Deferred outflows of resources:		
Pension		3,170,365
OPEB		226,749
Total deferred outflows of resources		3,397,114
Liabilities:		
Accounts payable		211,566
Accrued wages		813,207
Intergovernmental payable		153,868
Undistributed monies		1,356
Accrued interest payable		33,954
Long-term liabilities:		
Due within one year		632,735
Due in more than one year:		
Net pension liability		12,614,672
Net OPEB liability		1,462,354
Other amounts due in more than one year		12,115,507
Total liabilities		28,039,219
Deferred inflows of resources:		
Property taxes		4,452,230
Pension		2,241,104
OPEB		1,298,098
Total deferred inflows of resources		7,991,432
Net position:		
Net investment in capital assets		10,017,049
Restricted for:		
Capital projects		811,374
Debt service		365,561
Other purposes		731,596
Unrestricted		(9,535,185)
Total net position	$	2,390,395

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2019

		Program Revenues		Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 5,606,193	$ 607,271	$ 111,758	$ (4,887,164)
Special	1,599,861	65,580	645,950	(888,331)
Vocational	227,116	-	31,921	(195,195)
Other	90,586	-	3,285	(87,301)
Support services:				
Pupils	1,047,454	-	82,449	(965,005)
Instructional staff	667,466	-	50,475	(616,991)
Board of education	51,588	-	-	(51,588)
Administration	1,068,349	28,364	78,391	(961,594)
Fiscal	538,107	14,500	-	(523,607)
Business	-	-	-	-
Operation and maintenance of plant	1,422,873	-	-	(1,422,873)
Pupil transportation	670,751	-	22,855	(647,896)
Central	122,051	-	-	(122,051)
Operation of non-instructional services	495,874	171,718	279,801	(44,355)
Extracurricular activities	467,940	133,351	27,682	(306,907)
Interest and fiscal charges	462,653	-	-	(462,653)
Total governmental activities	$ 14,538,862	$ 1,020,784	$ 1,334,567	(12,183,511)

General Revenues:	
Property taxes levied for:	
General purposes	4,876,882
Debt service	507,245
School facilities maintenance and capital improvements	85,169
Income taxes levied for:	
General purposes	2,253,678
Grants and entitlements not restricted to specific programs	5,775,489
Payments in lieu of taxes	3,221
Investment earnings	109,309
Miscellaneous	99,653
Total general revenues	13,710,646
Change in net position	1,527,135
Net position at beginning of year	863,260
Net position at end of year	$ 2,390,395

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

Balance Sheet
Governmental Funds
June 30, 2019

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 3,835,774	$ 1,797,589	$ 5,633,363
Inventory held for resale	-	11,484	11,484
Receivables:			
Accounts	71,851	14,500	86,351
Intergovernmental	48,646	283,800	332,446
Interfund	104,431	-	104,431
Property taxes	5,167,203	624,149	5,791,352
Income taxes	806,565	-	806,565
Prepaid items	248,796	25,071	273,867
Total assets	$ 10,283,266	$ 2,756,593	$ 13,039,859
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	$ 54,058	$ 157,508	$ 211,566
Accrued wages	745,860	67,347	813,207
Interfund payable	-	104,431	104,431
Intergovernmental payable	138,091	15,777	153,868
Undistributed monies	1,356	-	1,356
Total liabilities	939,365	345,063	1,284,428
Deferred inflows of resources:			
Property taxes	3,972,332	479,898	4,452,230
Unavailable revenue	56,485	128,310	184,795
Unavailable revenue - delinquent property taxes	181,886	22,458	204,344
Total deferred inflows of resources	4,210,703	630,666	4,841,369
Fund balances:			
Nonspendable	248,796	25,071	273,867
Restricted	-	1,802,761	1,802,761
Assigned	94,137	-	94,137
Unassigned	4,790,265	(46,968)	4,743,297
Total fund balances	5,133,198	1,780,864	6,914,062
Total liabilities, deferred inflows of resources and fund balances	$ 10,283,266	$ 2,756,593	$ 13,039,859

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

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

Total governmental fund balances			$	6,914,062
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				21,384,427
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:				
Property taxes	$	204,344		
Intergovernmental		128,310		
Tuition and fees		56,485		
				389,139
The net pension and net OPEB liability are not due and payable in the current period; the net OPEB asset is not a financial resource; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:				
Deferred outflows - pension	$	3,170,365		
Deferred inflows - pension		(2,241,104)		
Net pension liability		(12,614,672)		
Deferred outflows - OPEB		226,749		
Deferred inflows - OPEB		(1,298,098)		
Net OPEB liability		(1,462,354)		
Net OPEB asset		704,077		
				(13,515,037)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:				
General obligation bonds	$	(11,714,778)		
Settlement payable		(85,000)		
Compensated absences		(838,242)		
Capital leases		(110,222)		
Accrued interest payable		(33,954)		
Total				(12,782,196)
Net position of governmental activities			$	2,390,395

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

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	$ 4,895,410	$ 595,699	$ 5,491,109
Income taxes	2,253,678	-	2,253,678
Intergovernmental	5,780,513	1,126,529	6,907,042
Interest	109,309	-	109,309
Tuition and fees	616,366	-	616,366
Extracurricular activities	30,922	131,951	162,873
Gifts and donations	11,913	92,818	104,731
Charges for services	6,600	161,855	168,455
Payments in lieu of taxes	3,221	-	3,221
Miscellaneous	106,375	16,605	122,980
Total revenues	13,814,307	2,125,457	15,939,764
Expenditures:			
Current:			
Instruction:			
Regular	5,971,544	274,247	6,245,791
Special	1,555,791	357,441	1,913,232
Vocational	247,713	29,189	276,902
Other	-	90,586	90,586
Support services:			
Pupils	1,119,776	49,019	1,168,795
Instructional staff	380,240	134,306	514,546
Board of education	52,081	-	52,081
Administration	1,227,080	38,622	1,265,702
Fiscal	521,275	24,003	545,278
Operation and maintenance of plant	1,192,032	187,785	1,379,817
Pupil transportation	607,513	18,141	625,654
Central	125,240	-	125,240
Operation of non-instructional services	12,458	468,591	481,049
Extracurricular activities	327,589	172,295	499,884
Capital outlay	72,346	545,458	617,804
Debt service:			
Principal retirement	46,799	265,131	311,930
Interest and fiscal charges	4,189	411,698	415,887
Total expenditures	13,463,666	3,066,512	16,530,178
Excess of revenues over (under) expenditures	350,641	(941,055)	(590,414)
Other financing sources (uses):			
Transfers in	-	599,582	599,582
Transfers out	(599,582)	-	(599,582)
Total other financing sources (uses)	(599,582)	599,582	-
Net change in fund balances	(248,941)	(341,473)	(590,414)
Fund balances at beginning of year	5,382,139	2,122,337	7,504,476
Fund balances at end of year	$ 5,133,198	$ 1,780,864	$ 6,914,062

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

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

Net change in fund balances - total governmental funds			$	(590,414)
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 capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:				
Capital asset additions	$	617,804		
Depreciation expense		(953,318)		
Excess of depreciation expense over capital outlay				(335,514)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:				
Property taxes	$	(21,813)		
Intergovernmental		103,761		
Tuition and fees		56,485		
Miscellaneous		(12,200)		
Net change in deferred inflows of resources during the year				126,233
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities reports these amounts as deferred outflows.				
Pension				866,582
OPEB				40,837
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB asset/liability are reported as pension and OPEB expense in the statement of activities.				
Pension				(349,409)
OPEB				1,492,600
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.				351,930
Some items 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. These activities consist of:				
Increase in compensated absences	$	(28,944)		
Decrease in accrued interest		569		
Amortization of premium		12,049		
Bond accretion		(59,384)		
Total additional expenditures				(75,710)
Change in net position of governmental activities			$	1,527,135

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes	$ 5,008,740	$ 4,892,418	$ 4,892,418	$ -
Income taxes	2,289,705	2,209,813	2,209,813	-
Intergovernmental	5,772,566	5,734,242	5,780,513	46,271
Interest	121,360	109,000	109,309	309
Tuition and fees	658,200	622,792	619,941	(2,851)
Extracurricular activities	2,000	1,500	1,400	(100)
Gifts and donations	5,700	5,700	5,478	(222)
Payments in lieu of taxes	3,200	6,441	6,441	-
Miscellaneous	38,000	53,291	101,823	48,532
Total revenues	13,899,471	13,635,197	13,727,136	91,939
Expenditures:				
Current:				
Instruction:				
Regular	6,026,495	6,035,361	6,022,005	13,356
Special	1,381,820	1,569,883	1,577,348	(7,465)
Vocational	247,247	257,822	241,243	16,579
Support services:				
Pupils	959,415	1,124,674	1,119,412	5,262
Instructional staff	591,774	494,468	448,197	46,271
Board of education	50,773	73,312	73,938	(626)
Administration	1,198,452	1,306,934	1,254,986	51,948
Fiscal	526,493	559,706	521,460	38,246
Operation and maintenance of plant	1,291,596	1,327,736	1,242,665	85,071
Pupil transportation	618,846	706,872	642,411	64,461
Central	97,785	125,922	124,530	1,392
Extracurricular activities	331,894	346,943	329,361	17,582
Total expenditures	13,322,590	13,929,633	13,597,556	332,077
Excess of revenues over (under) expenditures	576,881	(294,436)	129,580	424,016
Other financing sources (uses):				
Proceeds from sale of capital assets	-	5,000	4,994	(6)
Refund of prior year expenditures	3,000	13,000	12,612	(388)
Advances out	-	(5,000)	-	5,000
Transfers in	-	15,000	15,000	-
Transfers out	(500,000)	(614,582)	(614,582)	-
Total other financing sources (uses)	(497,000)	(586,582)	(581,976)	4,606
Net change in fund balance	79,881	(881,018)	(452,396)	428,622
Fund balance at beginning of year	4,151,626	4,151,626	4,151,626	-
Prior year encumbrances appropriated	110,833	110,833	110,833	-
Fund balance at end of year	$ 4,342,340	$ 3,381,441	$ 3,810,063	$ 428,622

See accompanying notes to the basic financial statements.

Wellington Exempted Village School District
Statement of Assets and Liabilities
Agency Funds
June 30, 2019

	Agency
Assets:	
Equity in pooled cash and cash equivalents	$ 29,653
Total assets	$ 29,653
Liabilities:	
Undistributed monies	$ 48
Due to students	29,605
Total liabilities	$ 29,653

See accompanying notes to the basic financial statements.

Note 1 - Summary of Significant Accounting Policies

Description of the School District

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately sixty four square miles. It is located in Lorain and Huron Counties. It is staffed by 63 non-certificated employees and 86 certificated personnel who provide services to 1,018 students and other community members.

Reporting Entity

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

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

The School District is associated with organizations which are defined as a jointly governed organizations, public entity risk pools and insurance purchasing pools. These organizations include the Metropolitan Educational Technology Association (META), Ohio Schools Council, Lake Erie Regional Council of Governments, Lorain County Joint Vocational School District and Schools of Ohio Risk Sharing Authority (SORSA). These organizations are presented in Notes 15, 16 and 17 to the basic financial statements.

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 entity for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting polices.

A. Basis of Presentation – Fund Accounting

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

Government-wide Financial Statements

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

The Statement of Net Position presents the financial condition of the governmental activities of the School District at 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 and grants and contributions that are restricted to meeting the operational or capital requirements of 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 District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds Types

Governmental funds are those through which most governmental functions typically are financed. 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, liabilities and deferred inflows of resources is reported as fund balance. The general fund is the only major fund of the School District:

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

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

Fiduciary Fund Types

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

C. Measurement Focus and Basis of Accounting

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

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The agency fund also uses the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, "available" means expected to be received within sixty days of 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. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 the 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, investment earnings, tuition, grants and entitlements, and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statement of net position reports 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 School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of activities as an expense with a like amount reported within the “Operating Grants, Contributions and Interest” program revenue account. Unused donated commodities are reported in the account “Inventory held for resale” within the basic financial statements.

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

D. Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2019. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District 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 an interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market value (fair value).

The School District's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds. The Board of Education has passed a resolution to allow interest to also be recorded in other funds as explained in Note 4.

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Prepaid Items

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

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

H. Capital Assets

General capital assets are those assets resulting 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The School District's policy is not to capitalize interest costs incurred as part of construction.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Building and Improvements	50 - 80 years
Furniture and Equipment	8 - 25 years
Vehicles	15 years

I. Interfund Balances

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

J. Pension and other postemployment benefits (OPEB)

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

The current accounting standard requires School District's to report their proportionate share of the net pension/OPEB liability or asset using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability or asset equals the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

For 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. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. At June 30, 2019, the School District did not have any matured compensated absences.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits 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.

M. Fund Balance

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

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

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

Assigned fund balance classifications are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

N. 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 either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

O. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the bonds-outstanding method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

P. Interfund Transactions

Interfund transactions are reported as other financing sources/uses for governmental funds in the fund financial statements. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position.

Q. Estimates

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

Note 2 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaids	$ 248,796	$ 25,071	$ 273,867
Restricted for			
Athletics and music	-	53,120	53,120
Instructional programs	-	13,466	13,466
Classroom facilities maintenance	-	547,744	547,744
Capital improvements	-	808,773	808,773
Debt service payments	-	379,658	379,658
Total restricted	-	1,802,761	1,802,761
Assigned			
Public school support	23,806	-	23,806
Latchkey	4,751	-	4,751
Encumbrances	65,580	-	65,580
Total assigned	94,137	-	94,137
Unassigned (deficit)	4,790,265	(46,968)	4,743,297
Total fund balances	$ 5,133,198	$ 1,780,864	$ 6,914,062

Note 3 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).

5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

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

Net Change in Fund Balance

	General
GAAP basis	$ (248,941)
Net adjustment for revenue accruals	(12,008)
Net adjustment for expenditure accruals	(95,148)
Perspective differences from funds budgeted as special revenue funds:	
Revenues	(42,557)
Expenditures	46,145
Encumbrances (Budget Basis) outstanding at year end	(99,887)
Budget basis	$ (452,396)

Note 4 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 within five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be invested in the following securities:

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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

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

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

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor and must have a market value of at least 105% of the total value of public monies on deposit at the institution. In addition, the financial institution can participate in a pooled collateral arrangement with the Ohio Pooled Collateral System (OPCS). If the institution participates in the OPCS, the total market value of the securities pledged can be 102% or lower if permitted by the Treasurer of State.

As of June 30, the carrying amount of the School District's deposits was $741,736. At June 30, 2019, $364,074 of the School Districts bank balance of $1,294,315 was exposed to custodial credit risk. The School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

B. Investments

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

Investment type	Fair Value	Maturity	Rating
STAR Ohio	$ 4,921,280	53.3 (2)	AAAm (1)

(1) Standard and Poor's rating.
(2) Days (Average)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding tables identify the School District's recurring fair value measurement as of June 30, 2019. As previously discussed Star Ohio is reported at its net asset value.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAm rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

All interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during fiscal year 2019 amounted to $109,309, which includes $28,976 assigned from other School District funds.

Note 5 - Property Taxes

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

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

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lorain County and Huron County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties 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 year-end was $1,012,985 in the general fund, $104,186 in the debt service fund and $17,607 in permanent improvement fund and is recognized as revenue on the fund financial statements.

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

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

	2019 Assessed Value	2018 Assessed Value
Real Property		
Residential and Agricultural	$ 171,395,750	$ 155,766,710
Commercial and Industrial	38,107,890	32,273,730
Tangible Personal Property		
Public Utilities	14,974,300	12,681,900
Total	$ 224,477,940	$ 200,722,340

Note 6 - Receivables

Receivables at year-end consisted of taxes, accounts (tuition), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds. The general fund reported an intergovernmental receivable for $48,646 for tuition and refunds. Other nonmajor governmental funds recorded intergovernmental receivables for state and federal grants and refunds in the amount of $283,800.

Note 7 - Interfund Transactions

Interfund balances at June 30, 2019 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	$ 104,431

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2019, all interfund loans outstanding are anticipated to be repaid in fiscal year 2020. These interfund balances will be repaid once the anticipated revenues are received. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2019 are reported on the statement of net position.

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfers from general fund to:		
Nonmajor governmental funds	$	599,582

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8 - Capital Assets

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

Governmental Activities	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	$ 1,465,737	$ -	$ -	$ 1,465,737
Construction in progress	162,964	242,180	(264,300)	140,844
Total capital assets, not being depreciated	1,628,701	242,180	(264,300)	1,606,581
Capital assets, being depreciated:				
Land improvements	2,224,928	23,800	-	2,248,728
Buildings	22,385,134	350,710	-	22,735,844
Furniture and equipment	2,158,619	43,650	-	2,202,269
Vehicles	974,311	221,764	(265,758)	930,317
Total capital assets, being depreciated	27,742,992	639,924	(265,758)	28,117,158
Less: Accumulated depreciation				
Land improvements	(807,096)	(131,524)	-	(938,620)
Buildings	(5,189,487)	(487,567)	-	(5,677,054)
Furniture and equipment	(955,868)	(265,122)	-	(1,220,990)
Vehicles	(699,301)	(69,105)	265,758	(502,648)
Total accumulated depreciation	(7,651,752)	(953,318)	265,758	(8,339,312)
Total capital assets being depreciated, net	20,091,240	(313,394)	-	19,777,846
Governmental activities capital assets, net	$ 21,719,941	$ (71,214)	$ (264,300)	$ 21,384,427

During the fiscal year several capital assets were reclassified which resulted in a change in the beginning balances by asset classes. The beginning balance, in total did not change.

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	$	598,258
Vocational		98
Support services:		
Instructional staff		188,434
Operation and maintenance of plant		56,198
Pupil transportation		56,918
Operation of non-instructional services		27,807
Extracurricular activities		25,605
Total depreciation expense	$	953,318

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2019, the School District contracted with a commercial insurance provider for liability, fleet and property insurance coverage. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The School District pays the State Worker's Compensation System, a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

The School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. The School District provides medical and dental benefits to most employees. The premium and coverage varies with employees depending on marital status.

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified, full-time administrators and non-bargaining unit employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and elementary principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a 240 day limit as to the amount of sick leave that may be accumulated.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through a commercial insurance company.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

A. School Employees Retirement System

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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	Age 65 with 5 years of service credit or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The School District's contractually required contribution to SERS was $231,920 for fiscal year 2019. Of this amount $16,449 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $634,662 for fiscal year 2019. Of this amount $93,206 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the net pension liability - prior measurement date	0.049049%	0.0449267%	
Proportion of the net pension liability - current measurement date	0.052042%	0.0438159%	
Change in proportionate share	0.002993%	-0.001111%	
Proportionate share of the net pension liability	$2,980,542	$9,634,130	$12,614,672
Pension expense	$128,179	$221,230	$349,409

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 163,464	$ 222,385	$ 385,849
Changes of assumptions	67,307	1,707,350	1,774,657
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	98,427	44,850	143,277
School District contributions subsequent to the measurement date	231,920	634,662	866,582
Total deferred outflows of resources	$ 561,118	$ 2,609,247	$ 3,170,365
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 82,582	$ 584,203	$ 666,785
Difference between expected and actual experience	-	62,917	62,917
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	$ 159,461	$ 1,351,941	$ 1,511,402
Total deferred inflows of resources	$ 242,043	$ 1,999,061	$ 2,241,104

$866,582 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	SERS	STRS	Total
2020	$ 168,009	$ 156,918	$ 324,927
2021	42,286	(45,482)	(3,196)
2022	(97,813)	30,435	(67,378)
2023	(25,327)	(166,347)	(191,674)
Total	$ 87,155	$ (24,476)	$ 62,679

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an experience study that was completed June 30, 2015.

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

Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was updated to 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 long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long term expected real rate of return
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 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 (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	$ 4,198,318	$2,980,542	$1,959,518

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	2.5 percent
Projected salary increases	2.5 percent at age 65 to 12.5 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Payroll increases	3 percent
Cost of living adjustments (COLA)	0 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's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset class	Target allocation **	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS'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.

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

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

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

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 14,069,379	$9,634,130	$5,880,294

C. 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 Retirement System. As of June 30, 2019, several members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 12 – Defined Benefit OPEB Plans

Net OPEB Liability or Asset

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

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

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

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

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

A. School Employee Retirement System

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

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

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 School District's surcharge obligation was $32,247.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $40,837 for fiscal year 2019. Of this amount $32,856 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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 School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the net OPEB liability - prior measurement date	0.049879%	0.0449267%	
Proportion of the net OPEB liability or asset - current measurement date	0.052711%	0.0438159%	
Change in proportionate share	0.002832%	-0.001111%	
Proportionate share of the net:			
OPEB liability (asset)	$ 1,462,354	$ (704,077)	$ 758,277
OPEB expense	$ 42,351	$ (1,534,951)	$ (1,492,600)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 23,871	$ 82,237	$ 106,108
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	70,071	9,733	79,804
School District contributions subsequent to the measurement date	40,837	-	40,837
Total deferred outflows of resources	$ 134,779	$ 91,970	$ 226,749
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 41,022	$ 41,022
Net difference between projected and actual earnings on pension plan investments	2,194	80,435	82,629
Changes of assumptions	131,381	959,360	1,090,741
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	47,297	36,409	83,706
Total deferred inflows of resources	$ 180,872	$ 1,117,226	$ 1,298,098

$40,837 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	SERS	STRS	Total
2020	$ (67,391)	$ (182,905)	$ (250,296)
2021	(49,269)	(182,905)	(232,174)
2022	8,120	(182,906)	(174,786)
2023	9,054	(164,639)	(155,585)
2024	8,902	(158,229)	(149,327)
Thereafter	3,654	(153,672)	(150,018)
Total	$ (86,930)	$ (1,025,256)	$ (1,112,186)

Actuarial Assumptions - SERS

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

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

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

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 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
Investment rate of return	7.5 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	
Measurement date	5.375 to 4.75 percent
Prior measurement date	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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset class	Target allocation	Long term expected real rate of return
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease (2.70%)	Current discount rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	$ 1,774,451	$1,462,354	$1,215,231

	1% Decrease (6.25% decreasing to 3.75%)	Current trend rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$ 1,179,851	$1,462,354	$1,836,438

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	7.45 percent
Health care cost trends:	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	(5.23) 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.

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

Asset class	Target allocation	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

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

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

	1% Decrease (6.45%)	Current discount rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	$ (603,460)	($704,077)	($788,640)

	1% Decrease	Current trend rate	1% Increase
School District's proportionate share of the net OPEB asset	$ (783,867)	($704,077)	($623,044)

Note 13 - Capitalized Leases - Lessee

In a prior year, the School District entered in to a capital lease agreement for the acquisition of five buses, copiers, and technology equipment. The term of the agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized as equipment in the amount of $552,386 equal to the present value of the future minimum lease payments at the time of acquisition. Principal payments in the current fiscal year totaled $58,930.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal Year	Lease Payments
2020	$ 63,958
2021	50,988
Total minimum lease payments	114,946
Less: amount representing interest	(4,724)
Total	$ 110,222

Note 14 - Bonded Debt and Other Long-Term Obligations

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities					
Bonds:					
School Improvement - 2013A					
Term bonds 1.5% - 4.0%	$ 6,595,000	$ -	$ (140,000)	$ 6,455,000	$ -
Capital appreciation	124,950	-	-	124,950	66,797
Accretion on bonds	125,765	37,269	-	163,034	98,203
Premium	131,441	-	(8,709)	122,732	-
School Improvement - 2013B					
Term bonds 3.0% - 4.0%	3,955,000	-	-	3,955,000	-
Capital appreciation	5,495	-	(2,180)	3,315	1,674
Accretion on bonds	44,947	22,115	(22,820)	44,242	28,326
Premium	79,499	-	(3,340)	76,159	-
Energy Conservation Improvement 6.0%	590,000	-	(70,000)	520,000	70,000
Energy Conservation Improvement 2.90%	268,346	-	(18,000)	250,346	18,000
Total bonds	11,920,443	59,384	(265,049)	11,714,778	283,000
Other long-term obligations:					
Capital lease	169,152	-	(58,930)	110,222	60,698
Compensated absences	809,298	128,032	(99,088)	838,242	204,037
Settlement payable	125,000	-	(40,000)	85,000	85,000
Total other long-term obligations	1,103,450	128,032	(198,018)	1,033,464	349,735
Net pension liability:					
STRS	10,672,436	-	(1,038,306)	9,634,130	-
SERS	2,930,540	50,002	-	2,980,542	-
Total net pension liability	13,602,976	50,002	(1,038,306)	12,614,672	-
Net OPEB liability:					
STRS	1,752,874	-	(1,752,874)	-	-
SERS	1,338,621	123,733	-	1,462,354	-
Total net OPEB liability	3,091,495	123,733	(1,752,874)	1,462,354	-
Total long-term liabilities	$ 29,718,364	$ 361,151	$(3,254,247)	$ 26,825,268	$ 632,735

On May 22, and June 13, 2013 the School District issued school improvement bonds to be used on new construction and renovations of school buildings. The first issuance, School Improvement Bonds 2013A was for $7,499,950 which includes $124,950 of capital appreciation bonds (CABs) and has a final maturity in fiscal year 2043. The second issuance, School Improvement Bonds 2013B was for $4,074,983, which includes $119,983 of CABs and has a final maturity in fiscal year 2049. Both issues were at a premium in the amount of $177,743 and $96,257 respectively. The 2013A series CABs mature in fiscal years 2020 and 2021 at $165,000 each. The CABs for the 2013B series mature in fiscal years 2014 through 2022 at various amounts: 2014 CAB matured at $105,000, 2015, 2016 and 2017 matured at $25,000, 2018 matured at $20,000, 2019 and 2022 CABs mature at 25,000 each; and 2020 and 2021 CABs mature at $30,000 each.

On January 27, 2011, the School Districted issued $1,046,000 in Energy Conservation Bonds with an interest rate of 6.0% for the purpose of purchasing and installing energy conservation measures. The bonds and interest are to be repaid by the debt service fund. The bonds are Qualified School Construction Bonds (QSCB's) whereas the interest paid on the bonds has been 91.17% subsidized by the federal government. The federal government will remit the interest paid by the schools through a direct pay reimbursement.

On March 22, 2016, the School Districted issued $302,346 in Energy Conservation Bonds with an interest rate of 2.90% for the purpose of purchasing and installing energy conservation measures. The bonds and interest are to be repaid by the building fund.

Compensated absences will be paid from the general and food service funds.

During February 2017, the School District agreed to settle an ongoing lawsuit. As part of the agreement, the School District has agreed to a dismissal of the case with payments to be made in future fiscal years. The payments consist of $40,000 and $85,000 to be made in 2019 and 2020, respectively.

There is not a repayment schedule for the net pension liability and net OPEB liability; however the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to amortize all bonds outstanding at June 30, 2019 are as follows:

Fiscal Year	Principal	Compounded Interest	Interest	Total
2020	$ 156,471	$ 126,529	$ 405,087	$ 688,087
2021	147,223	135,777	400,365	683,365
2022	259,571	24,429	395,628	679,628
2023	300,000	-	387,462	687,462
2024	300,000	-	378,232	678,232
2025-2029	1,559,000	-	1,742,705	3,301,705
2030-2034	1,706,346	-	1,509,862	3,216,208
2035-2039	2,150,000	-	1,203,625	3,353,625
2040-2044	2,535,000	-	734,200	3,269,200
2045-2049	2,195,000	-	273,000	2,468,000
Total	$ 11,308,611	$ 286,735	$ 7,430,166	$ 19,025,512

Note 15 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association (META)

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2019, the School District paid $77,208 to META for various services. Financial information can be obtained from the META Solutions, 100 Executive Drive, Marion, Ohio 43302.

B. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district’s elected boards, which possess its own budgeting and taxing authority. To obtain financial information write to the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

C. Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 210 school districts, educational service centers, joint vocational school districts, and developmental disabilities boards in thirty-three northern Ohio counties. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to its members. Each member supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2019, the School District paid the Council $38,530 for natural gas purchases, $6,958 for life insurance and $2,571 for membership fees. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

Note 16 - Public Entity Risk Pool

The Lake Erie Regional Council of Government (LERC) is a shared risk pool which is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council, comprised of 10 Lorain County school districts, has a Health Benefits Program, a media center, a natural gas purchasing consortium, and a life insurance purchasing pool. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for health insurance.

Note 17 – Insurance Purchasing Pool

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool serving school districts in Ohio for their building insurance coverage. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to School District persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance and educators' errors and omissions liability insurance. Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of SORSA are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 N. High Street, Suite 160 Columbus, OH 43235-6483.

Note 18 – Contingencies

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

School Foundation Adjustments

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. The ODE's final FTE adjustments did not have a material impact on the School District's financial statements.

Note 19 - Set-Asides

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, 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.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

		Capital Improvement Reserve
Set-aside reserve balance as of June 30, 2018	$	-
Current year set-aside requirement		196,603
Current year offsets		(250,676)
Total	$	(54,073)
Set-aside balance carried forward to future fiscal years	$	-

Note 20 - School District Income Tax

The School District levies a voted income tax of 1% on the residents' income and on estates. The permanent income tax has been effective since January 1, 1991. Employers of the School District's residents are required to withhold income tax on compensation and remit the withheld tax to the State of Ohio. Once the income taxes have been collected by the State of Ohio, the State makes quarterly payments to the School District after withholding an administrative fee and estimated amounts for refunds. The income tax money is receipted in the general fund. Taxpayers are required to file a school district income tax return annually.

Note 21 - Accountability

As of June 30, 2019, the School District had several funds with a deficit fund balance. These deficits were caused by the application of GAAP; namely in the reporting of various liabilities attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The following funds had a deficit balance:

		Amount
Nonmajor special revenue fund:		
Food service	$	11,223
Student scholarship		1,000
Miscellaneous State grant		622
IDEA Part B		32
Title I		2,970
Miscellaneous Federal grant		31,121

Note 22 – Construction Commitments

At the close of fiscal year 2019, the School District had encumbrance commitments in the permanent improvement fund for redevelopment of the track and field in the amount of $664,150. In addition they had an equal split commitment in the permanent improvement fund and Title VI-B fund for a new bus in the amount of $88,686.

Note 23 – Tax Abatements

Pursuant to Ohio Revised Code (ORC) Section 3735, the Village of Wellington (the Village) established a Community Reinvestment Area (CRA) program. The CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA’s are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for the renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

The total value of the School District’s share of taxes abated within the CRA area for fiscal year 2019 totaled $6,441. During the fiscal year, the School District received $6,441 in payments in lieu of taxes from a business within the CRA area.

Required Supplementary Information

Wellington Exempted Village School District

Required Supplementary Information

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

Last Six Fiscal Years (1)

School Employees Retirement System (SERS) of Ohio	2018	2017	2016	2015
School District's proportion of the net pension liability	0.052042%	0.049049%	0.052638%	0.057291%
School District's proportionate share of the net pension liability	$ 2,980,542	$ 2,930,540	$ 3,852,587	$ 3,269,103
School District's covered payroll	$ 1,664,578	$ 1,557,800	$ 1,599,486	$ 1,684,583
School District's proportionate share of the net pension liability as a percentage of its covered payroll	179.06%	188.12%	240.86%	194.06%
Plan fiduciary net position as a percentage of total pension liability	71.36%	69.50%	62.98%	69.16%

State Teachers Retirement System (STRS) of Ohio	2018	2017	2016	2015
School District's proportion of the net pension liability	0.0438159%	0.0449267%	0.0446720%	0.0545271%
School District's proportionate share of the net pension liability	$ 9,634,130	$ 10,672,436	$ 14,953,048	$ 15,069,704
School District's covered payroll	$ 4,864,914	$ 5,272,614	$ 4,604,800	$ 5,716,521
School District's proportionate share of the net pension liability as a percentage of its covered payroll	198.03%	202.41%	324.73%	263.62%
Plan fiduciary net position as a percentage of total pension liability	77.30%	75.30%	66.80%	72.10%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.
The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

	2014	2013
	0.059950%	0.059950%
	$ 3,034,035	$ 3,565,034
	$ 1,758,694	$ 1,600,484
	172.52%	222.75%
	71.70%	65.52%

	2014	2013
	0.0559318%	0.0559318%
	$ 13,604,552	$ 16,205,653
	$ 5,836,777	$ 5,806,231
	233.08%	279.11%
	74.70%	69.30%

Wellington Exempted Village School District

Required Supplementary Information
Schedule of School District Contributions - Pension
Last Seven Fiscal Years (1)

School Employees Retirement System (SERS) of Ohio	2019	2018	2017	2016	2015
Contractually required contribution	$ 231,920	$ 224,718	$ 218,092	$ 223,928	$ 222,028
Contributions in relation to contractually required contribution	(231,920)	(224,718)	(218,092)	(223,928)	(222,028)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 1,717,926	$ 1,664,578	$ 1,557,800	$ 1,599,486	$ 1,684,583
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%	13.18%

State Teachers Retirement System (STRS) of Ohio	2019	2018	2017	2016	2015
Contractually required contribution	$ 634,662	$ 681,088	$ 738,166	$ 644,672	$ 800,313
Contributions in relation to contractually required contribution	(634,662)	(681,088)	(738,166)	(644,672)	(800,313)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 4,533,300	$ 4,864,914	$ 5,272,614	$ 4,604,800	$ 5,716,521
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.

2014	2013
$ 243,755	$ 221,507
(243,755)	(221,507)
$ -	$ -
$ 1,758,694	$ 1,600,484
13.86%	13.84%

2014	2013
$ 758,781	$ 754,810
(758,781)	(754,810)
$ -	$ -
$ 5,836,777	$ 5,806,231
13.00%	13.00%

Wellington Exempted Village School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
Last Three Fiscal Years (1)

School Employees Retirement System (SERS) of Ohio	2018	2017	2016
School District's proportion of the net OPEB liability	0.052711%	0.049879%	0.053424%
School District's proportionate share of the net OPEB liability	$ 1,462,354	$ 1,338,621	$ 1,522,779
School District's covered payroll	$ 1,664,578	$ 1,557,800	$ 1,599,486
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	87.85%	85.93%	95.20%
Plan fiduciary net position as a percentage of total OPEB liability	13.57%	12.46%	11.49%

State Teachers Retirement System (STRS) of Ohio	2018	2017	2016
School District's proportion of the net OPEB liability or asset	0.0438159%	0.0449267%	0.0446720%
School District's proportionate share of the net OPEB liability (asset)	$ (704,077)	$ 1,752,874	$ 2,389,068
School District's covered payroll	$ 4,864,914	$ 5,272,614	$ 4,604,800
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-14.47%	33.24%	51.88%
Plan fiduciary net position as a percentage of total OPEB liability or asset	176.00%	47.10%	37.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2016 is not available. The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

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Wellington Exempted Village School District

Required Supplementary Information
Schedule of School District Contributions - OPEB
Last Seven Fiscal Years (1)

	2019	2018	2017	2016	2015
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution (2)	$ 40,837	$ 36,421	$ 27,676	$ 27,382	$ 44,449
Contributions in relation to contractually required contribution	(40,837)	(36,421)	(27,676)	(27,382)	(44,449)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 1,717,926	$ 1,664,578	$ 1,557,800	$ 1,599,486	$ 1,684,583
Contributions as a percentage of covered payroll	2.38%	2.19%	1.78%	1.71%	2.64%

	2019	2018	2017	2016	2015
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered payroll	$ 4,533,300	$ 4,864,914	$ 5,272,614	$ 4,604,800	$ 5,716,521
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Ten years of information will be presented as information becomes available. Information prior to 2013 is not available.
(2) Includes surcharge

2014	2013
$ 33,329	$ 30,781
(33,329)	(30,781)
$ -	$ -
$ 1,758,694	$ 1,600,484
1.90%	1.92%

2014	2013
$ 58,368	$ 58,062
(58,368)	(58,062)
$ -	$ -
$ 5,836,777	$ 5,806,231
1.00%	1.00%

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2019. See the notes to the basic financial for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There were no changes in benefit terms for fiscal year 2019. See the notes to the basic financial for benefit terms.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2019. See the notes to the basic financial for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2019. See the notes to the basic financial for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**	**Non-Cash Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
National School Breakfast Program	10.553		$ 63,849	
National School Lunch Program	10.555		202,485	$ 32,155
Total Child Nutrition Cluster			266,334	32,155
Total U.S. Department of Agriculture			**266,334**	**32,155**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Special Education Cluster (IDEA):				
Special Education-Grants to States (IDEA Part B) - 2018	84.027		29,675	
Special Education-Grants to States (IDEA Part B) - 2019	84.027		233,749	
Total Special Education-Grants to States (IDEA Part B)			263,424	
Special Education-Preschool Grants (IDEA Preschool) - 2019	84.173		512	
Total Special Education Cluster (IDEA)			263,936	
Title I Grants to Local Educational Agencies (Title I, Part A of EVSEA) - 2018	84.010		(182)	
Title I Grants to Local Educational Agencies (Title I, Part A of EVSEA) - 2019	84.010		131,974	
Total Title I Grants to Local Educational Agencies			131,792	
School Quality Improvements Grants - 2018	84.010		43,262	
School Quality Improvements Grants - 2019	84.010		14,465	
Total School Quality Improvement Grants			57,727	
Expanding Opportunities Grants - 2019	84.010		4,202	
Total Title I Cluster			193,721	
21st Century Grant - 2018	84.287		53,221	
21st Century Grant - 2019			175,701	
Total 21st Century Grants			228,922	
Improving Teacher Quality State Grants - 2018	84.367		(105)	
Improving Teacher Quality State Grants - 2019	84.367		14,227	
Total Improving Teacher Quality State Grants			14,122	
Title IV-A Student Support - 2018	84.424		497	
Title IV-A Student Support - 2019	84.424		13,637	
Total Title IV-A Student Support Grants			14,134	
Total U.S. Department of Education			**714,835**	
Total Expenditures of Federal Awards			**$981,169**	**$ 32,155**

The accompanying notes are an integral part of this schedule.

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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KEITH FABER

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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*

Wellington Exempted Village School District
Lorain County
305 Union Street
Wellington, Ohio 44090

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 Wellington Exempted Village School District, Lorain County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 3, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

April 3, 2020

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

Wellington Exempted Village School District
Lorain County
305 Union Street
Wellington, Ohio 44090

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Wellington Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Keith Faber
Auditor of State

Columbus, Ohio

April 3, 2020

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster: CFDA #84.027- Special Education Grants to the States CFDA #84.173- Special Education Preschool Grants
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

WELLINGTON EXEMPTED VILLAGE SCHOOL DISTRICT

LORAIN 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
APRIL 16, 2020