



OHIO AUDITOR OF STATE
KEITH FABER



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2020**

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WAYNE COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Dalton Local School District
Wayne County
117 North Mill Street
Dalton, Ohio 44618

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dalton Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

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 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 February 8, 2021, 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

February 8, 2021

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The management's discussion and analysis of the Dalton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position of governmental activities decreased \$455,631, which represents a 26.47% decrease from 2019's net position.
- General revenues accounted for \$8,897,919 in revenue or 74.51% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,043,595 or 25.49% of total revenues of \$11,941,514.
- The District had \$12,397,145 in expenses related to governmental activities; \$3,043,595 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,897,919 were inadequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$8,764,152 in revenues and \$9,175,884 in expenditures. During fiscal year 2020, the general fund's fund balance decreased \$411,732 from a balance of \$2,722,673 to a balance of \$2,310,941.
- The bond retirement fund had \$873,949 in revenues. The bond retirement fund also had \$938,818 in expenditures. During fiscal year 2020, the bond retirement fund's fund balance decreased \$64,869 from a balance of \$941,341 to a balance of \$876,472.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of net position on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-62 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 64 through 79 of this report.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The District as a Whole

The table below shows the change in net position for fiscal years 2020 and 2019.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current and other assets	\$ 10,306,872	\$ 10,247,655
Capital assets, net	<u>21,833,288</u>	<u>21,976,854</u>
Total assets	<u>32,140,160</u>	<u>32,224,509</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on refunding	1,145,292	1,220,448
Pension	1,946,858	2,697,618
OPEB	<u>208,973</u>	<u>152,928</u>
Total deferred outflows of resources	<u>3,301,123</u>	<u>4,070,994</u>
<u>Liabilities</u>		
Current liabilities	1,344,924	1,333,147
Long-term liabilities:		
Due within one year	544,025	494,399
Due in more than one year:		
Net pension liability	10,273,631	10,327,570
Net OPEB liability	942,503	1,107,039
Other amounts	<u>15,192,409</u>	<u>15,688,972</u>
Total liabilities	<u>28,297,492</u>	<u>28,951,127</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	4,024,200	3,640,427
Pension	746,758	896,341
OPEB	<u>1,107,155</u>	<u>1,086,299</u>
Total deferred inflows of resources	<u>5,878,113</u>	<u>5,623,067</u>
<u>Net Position</u>		
Net investment in capital assets	8,353,680	7,975,755
Restricted	1,783,122	1,855,461
Unrestricted (deficit)	<u>(8,871,124)</u>	<u>(8,109,907)</u>
Total net position	<u>\$ 1,265,678</u>	<u>\$ 1,721,309</u>

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2020, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,265,678. Of this total, \$1,783,122 is restricted in use.

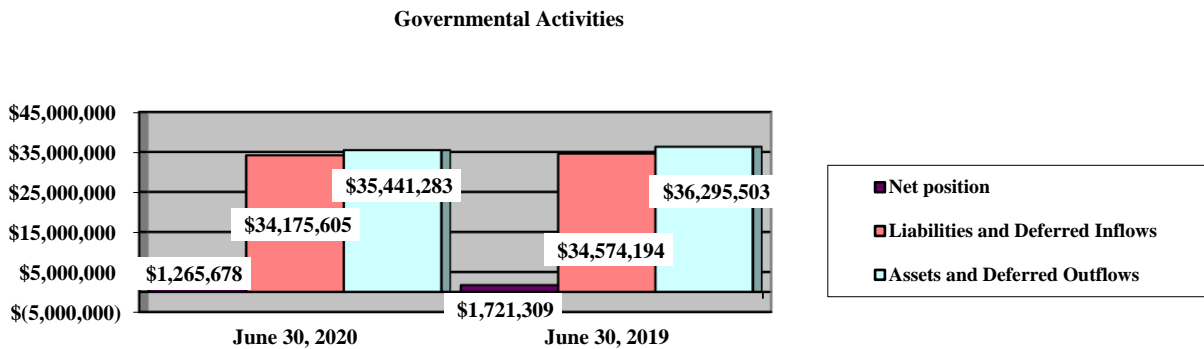
**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

At year-end, capital assets represented 67.93% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2020, was \$8,353,680. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,783,122, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$8,871,124.

The graph below presents the District's governmental assets and deferred outflows of resources, liabilities and net position at June 30, 2020 and June 30, 2019.



The table below shows the changes in net position for governmental activities for fiscal years 2020 and 2019.

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,108,382	\$ 1,113,236
Operating grants and contributions	1,601,895	1,182,588
Capital grants and contributions	333,318	-
General revenues:		
Property taxes	4,098,851	4,580,009
School district income tax	1,313,143	1,462,121
Grants and entitlements	3,327,530	3,612,180
Investment earnings	82,220	109,134
Other	76,175	20,924
Total revenues	<u>\$ 11,941,514</u>	<u>\$ 12,080,192</u>

- Continued

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Expenses</u>	Change in Net Position (Continued)	
	Governmental Activities	Governmental Activities
	<u>2020</u>	<u>2019</u>
Program expenses:		
Instruction:		
Regular	\$ 4,489,088	\$ 3,722,311
Special	1,458,893	1,097,685
Vocational	58	240
Other	377,256	348,706
Support services:		
Pupil	574,981	486,164
Instructional staff	260,118	288,138
Board of education	8,782	7,902
Administration	927,814	760,399
Fiscal	365,592	315,278
Operations and maintenance	1,704,525	1,573,770
Pupil transportation	496,467	406,904
Central	30,264	12,192
Food service operations	339,754	279,726
Other non-instructional services	342,833	263,401
Extracurricular activities	504,148	357,464
Interest and fiscal charges	516,572	525,919
Total expenses	<u>12,397,145</u>	<u>10,446,199</u>
Change in net position	(455,631)	1,633,993
Net position at beginning of year	<u>1,721,309</u>	<u>87,316</u>
Net position at end of year	<u>\$ 1,265,678</u>	<u>\$ 1,721,309</u>

Governmental Activities

Net position of the District's governmental activities decreased \$455,631. Total governmental expenses of \$12,397,145 were partially offset by program revenues of \$3,043,595 and general revenues of \$8,897,919. Program revenues supported 24.55% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 73.19% of total governmental revenues.

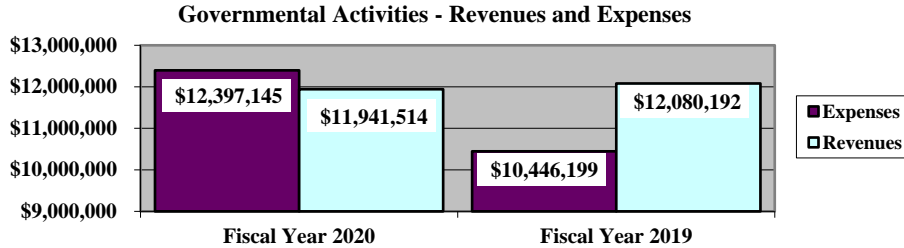
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,325,295 or 51.72% of total governmental expenses for fiscal year 2020.

The property tax revenue of the District decreased during fiscal year 2020 due to less advances available to the District at the end of fiscal year 2020. The District receives collections resulting from the passing of a .5 mill continuous permanent improvement levy in May of 2011.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following graph presents the District's governmental activities revenues and expenses for fiscal years 2020 and 2019.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2020 and 2019. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services <u>2020</u>	Net Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>
Program expenses				
Instruction:				
Regular	\$ 4,489,088	\$ 3,688,862	\$ 3,722,311	\$ 2,973,004
Special	1,458,893	716,860	1,097,685	392,727
Vocational	58	(2,336)	240	(2,154)
Other	377,256	377,256	348,706	348,706
Support services:				
Pupil	574,981	253,486	486,164	326,540
Instructional staff	260,118	253,161	288,138	278,822
Board of education	8,782	8,782	7,902	7,902
Administration	927,814	910,102	760,399	760,399
Fiscal	365,592	365,592	315,278	315,278
Operations and maintenance	1,704,525	1,640,176	1,573,770	1,569,661
Pupil transportation	496,467	465,716	406,904	378,591
Central	30,264	30,264	12,192	12,192
Operations of non-instructional services:				
Food service operations	339,754	43,251	279,726	(8,514)
Other non-instructional services	342,833	18,470	263,401	79
Extracurricular activities	504,148	67,336	357,464	271,223
Interest and fiscal charges	516,572	516,572	525,919	525,919
Total expenses	<u>\$ 12,397,145</u>	<u>\$ 9,353,550</u>	<u>\$ 10,446,199</u>	<u>\$ 8,150,375</u>

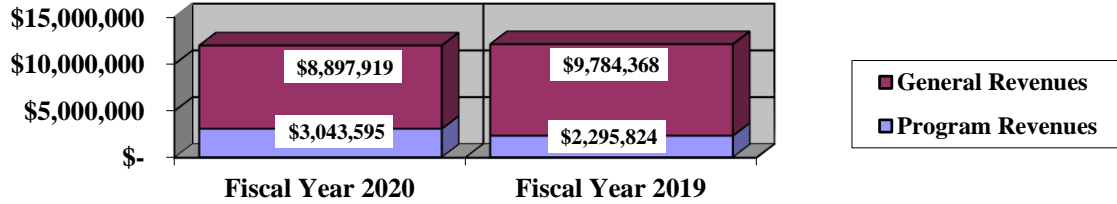
The dependence upon taxes and other general revenues for governmental activities is apparent, 75.58% and 71.82% of instruction activities were supported through taxes and other general revenues for fiscal years 2020 and 2019, respectively. For all governmental activities, general revenue support is 75.45%.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The graph below presents the District's governmental activities revenue for fiscal years 2020 and 2019.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,324,407, which is less than last year's balance of \$4,737,456. The schedule that follows indicates the fund balance and the total change in fund balance as of June 30, 2020 and 2019.

	Fund Balance June 30, 2020	Fund Balance June 30, 2019	Change	Percentage Change
General	\$ 2,310,941	\$ 2,722,673	\$ (411,732)	(15.12) %
Bond retirement	876,472	941,341	(64,869)	(6.89) %
Other Governmental	<u>1,136,994</u>	<u>1,073,442</u>	<u>63,552</u>	5.92 %
Total	<u>\$ 4,324,407</u>	<u>\$ 4,737,456</u>	<u>\$ (413,049)</u>	(8.72) %

General Fund

The District's general fund balance decreased \$411,732. Tax revenues decreased by \$558,692 primarily due to less advances available to the District from Wayne County.

Expenditures increased \$200,679 or 2.24% from fiscal year 2019. The increase in instruction expenditures can primarily be attributed to an increase in special expenditures for the District.

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

	2020 Amount	2019 Amount	Change	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,293,609	\$ 4,852,301	\$ (558,692)	(11.51) %
Tuition	764,433	724,341	40,092	5.53 %
Earnings on investments	70,426	92,308	(21,882)	(23.71) %
Classroom materials and fees	2,076	1,624	452	27.83 %
Intergovernmental	3,465,948	3,703,938	(237,990)	(6.43) %
Other revenues	<u>167,660</u>	<u>155,152</u>	<u>12,508</u>	8.06 %
Total	<u>\$ 8,764,152</u>	<u>\$ 9,529,664</u>	<u>\$ (765,512)</u>	(8.03) %
<u>Expenditures</u>				
Instruction	\$ 5,547,416	\$ 5,342,142	\$ 205,274	3.84 %
Support services	3,315,251	3,333,166	(17,915)	(0.54) %
Operation of non-instructional services	-	4,706	(4,706)	(100.00) %
Extracurricular activities	312,784	295,191	17,593	5.96 %
Facilities acquisition and construction	<u>433</u>	<u>-</u>	<u>433</u>	100.00 %
Total	<u>\$ 9,175,884</u>	<u>\$ 8,975,205</u>	<u>\$ 200,679</u>	2.24 %

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Bond Retirement Fund

The bond retirement fund had \$873,949 in revenues. Expenditures totaled \$938,818. During fiscal year 2020, the bond retirement fund's fund balance decreased \$64,869 from a balance of \$941,341 to \$876,472.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District had an original and final general fund budget. For the general fund, original budgeted revenues of \$9,026,050 were less than final budgeted revenues of \$9,126,050. Actual revenues and other financing sources for fiscal year 2020 were \$9,267,156, which was \$141,106 higher than the final budgeted revenues.

General fund original and final appropriations (appropriated expenditures) were \$9,480,295. The actual budget basis expenditures and other financing uses for fiscal year 2020 totaled \$9,399,398 which was \$80,897 lower than the original and final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2020, the District had \$21,833,288 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This is a \$143,566 decrease over last year due to the District's depreciation expense exceeding capital asset additions during fiscal year 2020.

The following table shows June 30, 2020 balances compared to June 30, 2019:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2020	2019
Land	\$ 753,364	\$ 753,364
Construction in progress	-	30,823
Land improvements	1,368,190	1,272,534
Building and improvements	18,998,254	19,142,520
Furniture and equipment	430,400	453,109
Vehicles	283,080	324,504
Total	\$ 21,833,288	\$ 21,976,854

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Debt Administration

At June 30, 2020, the District had \$409,000 in energy conservation bonds outstanding and \$12,761,702 in school improvement bonds. Of this total, \$493,000 is due within one year and \$12,677,702 is due in more than one year. The following table summarizes the energy conservation bonds and school improvement bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
Energy conservation bonds	\$ 409,000	\$ 461,000
School improvement bonds	<u>12,761,702</u>	<u>13,156,591</u>
Total	<u>\$ 13,170,702</u>	<u>\$ 13,617,591</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District relies heavily upon revenue from grants, property taxes and the state foundation program. In August of 2004, the voters of the District passed a .75% income tax levy to help meet the increasing costs of educating our students. The District continues to strive to maintain the highest standards of excellence in educating our students, while carefully making the most effective use out of each dollar received.

The District has worked hard to contain costs but is faced with ever-increasing mandates from the federal and state levels. Over the past few years, reduction in staffing and other cost containment measures have been taken. The District expects revenue and carryover cash balances to be sufficient to meet operating expenses through fiscal year 2020; however, there are still many challenges to overcome.

The community made a significant investment in the District with the overwhelming passage of a 6 mill bond levy to build a new Pre K-8 building. Even with the passage of this bond the District needs to address the high school. The 2 mill permanent improvement levy was renewed in August 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Patrick McGinty, Treasurer, Dalton Local School District, 177 Mill Street, Dalton, Ohio 44618.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,762,434
Receivables:	
Property taxes	4,289,787
Income taxes.	524,116
Accrued interest	9,326
Intergovernmental	103,033
Prepayments	6,324
Materials and supplies inventory.	1,052
Inventory held for resale.	5,454
Loans receivable.	499
Net OPEB asset	604,847
Capital assets:	
Nondepreciable capital assets.	753,364
Depreciable capital assets, net.	21,079,924
Capital assets, net	21,833,288
Total assets.	32,140,160
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,145,292
Pension	1,946,858
OPEB	208,973
Total deferred outflows of resources	3,301,123
Liabilities:	
Accounts payable.	51,860
Accrued wages and benefits payable	882,265
Intergovernmental payable	43,810
Pension and postemployment benefits payable.	162,198
Accrued interest payable	204,791
Long-term liabilities:	
Due within one year.	544,025
Due in more than one year:	
Net pension liability	10,273,631
Net OPEB liability	942,503
Other amounts due in more than one year	15,192,409
Total liabilities	28,297,492
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	4,024,200
Pension	746,758
OPEB	1,107,155
Total deferred inflows of resources	5,878,113
Net position:	
Net investment in capital assets	8,353,680
Restricted for:	
Capital projects	871,446
Classroom facilities maintenance	118,071
Debt service.	583,776
Locally funded programs	4,734
State funded programs.	114,103
Federally funded programs	1,298
Student activities	58,706
Other purposes	30,988
Unrestricted (deficit)	(8,871,124)
Total net position	\$ 1,265,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 4,489,088	\$ 747,557	\$ 52,669	\$ -	\$ (3,688,862)
Special	1,458,893	18,952	723,081	-	(716,860)
Vocational	58	-	2,394	-	2,336
Other	377,256	-	-	-	(377,256)
Support services:					
Pupil	574,981	90,655	230,840	-	(253,486)
Instructional staff	260,118	-	6,957	-	(253,161)
Board of education	8,782	-	-	-	(8,782)
Administration	927,814	1,089	16,623	-	(910,102)
Fiscal	365,592	-	-	-	(365,592)
Operations and maintenance	1,704,525	-	64,349	-	(1,640,176)
Pupil transportation	496,467	18,492	12,259	-	(465,716)
Central	30,264	-	-	-	(30,264)
Operation of non-instructional services:					
Other non-instructional services	342,833	254	299,328	-	(43,251)
Food service operations	339,754	127,889	193,395	-	(18,470)
Extracurricular activities	504,148	103,494	-	333,318	(67,336)
Interest and fiscal charges	516,572	-	-	-	(516,572)
Total governmental activities	\$ 12,397,145	\$ 1,108,382	\$ 1,601,895	\$ 333,318	(9,353,550)
General revenues:					
Property taxes levied for:					
General purposes					3,048,614
Debt service					764,059
Capital outlay					221,107
Special revenue					65,071
School district income tax					1,313,143
Grants and entitlements not restricted to specific programs					3,327,530
Investment earnings					82,220
Miscellaneous					76,175
Total general revenues					8,897,919
Change in net position					(455,631)
Net position at beginning of year					1,721,309
Net position at end of year					\$ 1,265,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,704,665	\$ 831,285	\$ 1,226,484	\$ 4,762,434
Receivables:				
Property taxes.	3,196,339	791,197	302,251	4,289,787
Income taxes	524,116	-	-	524,116
Accrued interest	9,326	-	-	9,326
Interfund loans	35,000	-	-	35,000
Intergovernmental.	7,202	-	95,831	103,033
Prepayments.	6,024	-	300	6,324
Materials and supplies inventory.	-	-	1,052	1,052
Inventory held for resale.	-	-	5,454	5,454
Due from other funds	47,440	-	-	47,440
Loan receivable	499	-	-	499
Total assets	<u>\$ 6,530,611</u>	<u>\$ 1,622,482</u>	<u>\$ 1,631,372</u>	<u>\$ 9,784,465</u>
Liabilities:				
Accounts payable	\$ 32,972	\$ -	\$ 18,888	\$ 51,860
Accrued wages and benefits payable	803,501	-	78,764	882,265
Compensated absences payable	23,244	-	1,683	24,927
Intergovernmental payable	43,078	-	732	43,810
Pension and postemployment benefits payable	145,111	-	17,087	162,198
Interfund loans payable.	-	-	35,000	35,000
Due to other funds	-	-	47,440	47,440
Total liabilities.	<u>1,047,906</u>	<u>-</u>	<u>199,594</u>	<u>1,247,500</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	2,998,449	742,213	283,538	4,024,200
Delinquent property tax revenue not available.	15,339	3,797	1,451	20,587
Income tax revenue not available	157,047	-	-	157,047
Intergovernmental revenue not available.	929	-	9,795	10,724
Total deferred inflows of resources	<u>3,171,764</u>	<u>746,010</u>	<u>294,784</u>	<u>4,212,558</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	1,052	1,052
Prepays.	6,024	-	300	6,324
Restricted:				
Debt service	-	876,472	-	876,472
Capital improvements	-	-	870,333	870,333
Classroom facilities maintenance	-	-	117,733	117,733
Non-public schools	-	-	19,352	19,352
Other purposes.	-	-	37,020	37,020
Extracurricular.	-	-	58,546	58,546
Student wellness and success.	-	-	124,694	124,694
Assigned:				
Student instruction	90,852	-	-	90,852
Student and staff support.	213,630	-	-	213,630
Subsequent year's appropriations	484,119	-	-	484,119
Unassigned (deficit).	1,516,316	-	(92,036)	1,424,280
Total fund balances	<u>2,310,941</u>	<u>876,472</u>	<u>1,136,994</u>	<u>4,324,407</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,530,611</u>	<u>\$ 1,622,482</u>	<u>\$ 1,631,372</u>	<u>\$ 9,784,465</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total governmental fund balances		\$	4,324,407
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,833,288
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	20,587	
Income taxes receivable		157,047	
Intergovernmental receivable		10,724	
Total		188,358	188,358
Unamortized premiums on bonds issued are not recognized in the funds.			(1,545,900)
Unamortized amounts on refundings are not recognized in the funds.			1,145,292
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(204,791)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(13,170,702)	
Compensated absences		(994,905)	
Total		(14,165,607)	(14,165,607)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - pension		1,946,858	
Deferred Inflows - pension		(746,758)	
Net pension liability		(10,273,631)	
Total		(9,073,531)	(9,073,531)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - OPEB		208,973	
Deferred Inflows - OPEB		(1,107,155)	
Net OPEB asset		604,847	
Net OPEB liability		(942,503)	
Total		(1,235,838)	(1,235,838)
Net position of governmental activities		\$	1,265,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,045,901	\$ 763,515	\$ 285,995	\$ 4,095,411
Income taxes	1,247,708	-	-	1,247,708
Tuition	764,433	-	-	764,433
Earnings on investments	70,426	-	12,410	82,836
Charges for services	-	-	128,148	128,148
Extracurricular	90,655	-	122,240	212,895
Classroom materials and fees	2,076	-	-	2,076
Rental income	830	-	-	830
Contributions and donations	18	-	184,332	184,350
Other local revenues	76,157	-	79,523	155,680
Intergovernmental - state	3,405,919	110,434	575,130	4,091,483
Intergovernmental - federal	60,029	-	714,404	774,433
Total revenues	8,764,152	873,949	2,102,182	11,740,283
Expenditures:				
Current:				
Instruction:				
Regular	4,240,556	-	50,357	4,290,913
Special	929,596	-	482,471	1,412,067
Vocational	58	-	-	58
Other	377,206	-	-	377,206
Support services:				
Pupil	424,794	-	130,178	554,972
Instructional staff	282,758	-	6,620	289,378
Board of education	8,558	-	-	8,558
Administration	878,753	-	16,500	895,253
Fiscal	332,909	14,393	5,320	352,622
Operations and maintenance	933,859	-	117,871	1,051,730
Pupil transportation	424,296	-	14,577	438,873
Central	29,324	-	-	29,324
Operation of non-instructional services:				
Other non-instructional services	-	-	297,423	297,423
Food service operations	-	-	331,256	331,256
Extracurricular activities	312,784	-	81,585	394,369
Facilities acquisition and construction	433	-	439,640	440,073
Debt service:				
Principal retirement	-	425,000	52,000	477,000
Interest and fiscal charges	-	499,425	12,832	512,257
Total expenditures	9,175,884	938,818	2,038,630	12,153,332
Net change in fund balances	(411,732)	(64,869)	63,552	(413,049)
Fund balances at beginning of year	2,722,673	941,341	1,073,442	4,737,456
Fund balances at end of year	\$ 2,310,941	\$ 876,472	\$ 1,136,994	\$ 4,324,407

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	(413,049)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 646,931	
Current year depreciation	(790,497)	
Total		(143,566)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	3,508	
Income taxes	65,435	
Intergovernmental	(22,484)	
Miscellaneous	(15,528)	
Total		30,931
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		477,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	5,369	
Accreted interest on capital appreciation bonds	(30,111)	
Amortization of deferred charges	(75,156)	
Amortization of bond premiums	95,583	
Total		(4,315)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(70,608)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		827,493
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,374,731)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		25,600
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		189,614
Change in net position of governmental activities	\$	(455,631)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 3,114,800	\$ 3,134,200	\$ 3,302,584	\$ 168,384
Income taxes.	1,350,000	1,400,000	1,505,108	105,108
Tuition.	720,000	700,600	764,433	63,833
Earnings on investments	100,000	100,000	64,734	(35,266)
Classroom materials and fees	1,750	1,750	2,076	326
Rental income	1,000	1,000	830	(170)
Contributions and donations	-	-	18	18
Other local revenues	36,000	36,000	75,837	39,837
Intergovernmental - state	3,667,500	3,717,500	3,426,507	(290,993)
Intergovernmental - federal	35,000	35,000	60,029	25,029
Total revenues	9,026,050	9,126,050	9,202,156	76,106
Expenditures:				
Current:				
Instruction:				
Regular	4,322,177	4,340,285	4,241,622	98,663
Special.	991,216	981,056	1,010,106	(29,050)
Vocational.	501	500	-	500
Other.	368,266	367,430	377,419	(9,989)
Support services:				
Pupil.	421,478	420,521	369,689	50,832
Instructional staff	356,746	405,936	308,424	97,512
Board of education	10,424	10,400	8,558	1,842
Administration.	940,023	882,889	894,223	(11,334)
Fiscal	308,019	308,833	346,470	(37,637)
Operations and maintenance.	997,760	1,000,494	999,112	1,382
Pupil transportation	435,170	434,182	435,705	(1,523)
Central.	14,533	14,500	32,043	(17,543)
Extracurricular activities.	313,982	313,269	310,594	2,675
Facilities acquisition and construction	-	-	433	(433)
Total expenditures	9,480,295	9,480,295	9,334,398	145,897
Excess (deficiency) of revenues over (under) expenditures	(454,245)	(354,245)	(132,242)	222,003
Other financing sources (uses):				
Advances in.	-	-	65,000	65,000
Advances (out)	-	-	(65,000)	(65,000)
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(454,245)	(354,245)	(132,242)	222,003
Fund balance at beginning of year	2,301,402	2,301,402	2,301,402	-
Prior year encumbrances appropriated	230,295	230,295	230,295	-
Fund balance at end of year	\$ 2,077,452	\$ 2,177,452	\$ 2,399,455	\$ 222,003

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 125,088
Total assets.	\$ 125,088
Liabilities:	
Accounts payable.	\$ 1,361
Loan payable	499
Due to students.	123,228
Total liabilities	\$ 125,088

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Dalton Local School District, Wayne County, Ohio, (the “District”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for providing public education to residents of the District.

Enrollment in the District as of June 30, 2020 was 895 students. The District employed 74 certified employees and 50 non-certified employees.

The District’s management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

Stark/Portage Area Computer Consortium

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and educational service centers from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent with the Consortium. The Stark County Educational Service Center serves as the fiscal agent of SPARCC and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 6057 Strip Avenue NW, North Canton, Ohio 44720.

PUBLIC ENTITY RISK POOLS

The Stark County Schools Council of Governments Health Care Benefit Program

The Stark County Schools Council of Governments Health Care Benefit Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating member (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

INSURANCE POOLS

Workers' Compensation Group Rating Program

The Ohio Schools Council Association (the "Council") is a Council of Governments comprised of one-hundred-fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district 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.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used for the retirement of serial bonds and short-term notes and loans.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and current deferred inflows 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.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes (See Note 7), grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgets

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 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. The specific timetable for fiscal year 2020 is as follows:

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2020.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as part of restricted, committed, or assigned fund balance.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

F. Cash and Investments

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

During fiscal year 2020, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$70,426, which includes \$22,618 assigned from other District funds.

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

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net position.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District’s capitalization threshold is \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	8 - 35 years
Vehicles	15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables” and “due to/from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position. Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental financial statements.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2020, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2020 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Fund Balance

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

M. Net Position

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

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

N. Estimates

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

O. Interfund Activity

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

P. Pensions/Other Postemployment Benefits (OPEB)

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Q. Extraordinary and Special Items

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

R. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of the bonds and the amount reported on the statement of net position is presented in Note 10.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the District has implemented GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2020. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed by one year. The District has elected to postpone implementing the following pronouncements until the fiscal year ended June 30, 2020:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

B. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 52,772
IDEA Part-B	27,667
Title I	7,812
Improving teacher quality	2,593

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

A. Cash on Hand

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits, including \$250,000 in nonnegotiable certificates of deposit, was \$489,077. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2020, \$500,000 of the District’s bank balance of \$517,334 was covered by the FDIC. \$17,334 of the District’s bank balance was exposed to custodial credit risk, as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For fiscal year 2020, the District’s financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

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

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>Investment Maturity</u> <u>6 months or less</u>
Amortized cost:		
STAR Ohio	<u>\$ 4,398,345</u>	<u>\$ 4,398,345</u>

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

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

The District’s policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 4,398,345	100.00

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 489,077
Investments	4,398,345
Cash on hand	<u>100</u>
Total	<u>\$ 4,887,522</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,762,434
Agency fund	<u>125,088</u>
Total	<u>\$ 4,887,522</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Payable

Interfund balances for the year ended June 30, 2020, consisted of the following interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 35,000</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Loans Payable

Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 499</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Due To / Due From Other Funds

Interfund balances at June 30, 2020 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 47,440</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2020 are reported on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

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

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available as an advance at June 30, 2020 was \$182,551 in the general fund, \$45,187 in the bond retirement fund, \$13,245 in the permanent improvement fund (a nonmajor governmental fund), and \$4,017 in the classroom facilities fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2019 was \$439,234 in the general fund, \$117,653 in the bond retirement fund, \$32,726 in the permanent improvement fund, and \$9,660 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 168,434,960	96.82	\$ 168,725,250	96.55%
Public utility personal	<u>5,538,230</u>	<u>3.18</u>	<u>6,022,090</u>	<u>3.45%</u>
Total	<u>\$ 173,973,190</u>	<u>100.00</u>	<u>\$ 174,747,340</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.60		\$49.45	

NOTE 7- INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005 and will continue for an indefinite period of time. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2020, \$1,247,708 of income tax revenue was credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2020 consisted of property taxes, income taxes, 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. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:

Property taxes	\$ 4,289,787
Income taxes	524,116
Accrued interest	9,326
Intergovernmental	<u>103,033</u>
Total	<u>\$ 4,926,262</u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/20</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 753,364	\$ -	\$ -	\$ 753,364
Construction in progress	<u>30,823</u>	<u>241,011</u>	<u>(271,834)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>784,187</u>	<u>241,011</u>	<u>(271,834)</u>	<u>753,364</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,929,239	183,275	-	2,112,514
Buildings and improvements	23,730,363	439,377	-	24,169,740
Furniture and equipment	1,010,522	55,102	(44,569)	1,021,055
Vehicles	<u>922,063</u>	<u>-</u>	<u>(11,980)</u>	<u>910,083</u>
Total capital assets, being depreciated	<u>27,592,187</u>	<u>677,754</u>	<u>(56,549)</u>	<u>28,213,392</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(656,705)	(87,619)	-	(744,324)
Buildings and improvements	(4,587,843)	(583,643)	-	(5,171,486)
Furniture and equipment	(557,413)	(77,811)	44,569	(590,655)
Vehicles	<u>(597,559)</u>	<u>(41,424)</u>	<u>11,980</u>	<u>(627,003)</u>
Total accumulated depreciation	<u>(6,399,520)</u>	<u>(790,497)</u>	<u>56,549</u>	<u>(7,133,468)</u>
Governmental activities capital assets, net	<u>\$ 21,976,854</u>	<u>\$ 128,268</u>	<u>\$ (271,834)</u>	<u>\$ 21,833,288</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 60,974
Special	941

Support services:

Instructional staff	9,956
Administration	1,209
Fiscal	679
Operations and maintenance	628,412
Pupil transportation	40,733
Extracurricular activities	40,952
Other non-instructional services	5,856
Food service operations	<u>785</u>
Total depreciation expense	<u>\$ 790,497</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2020, the following activity occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<u>2011 Series Issue:</u>					
School improvement bonds	\$ 805,000	\$ -	\$ (395,000)	\$ 410,000	\$ 410,000
<u>2012 Series Issue:</u>					
Energy conservation bonds	461,000	-	(52,000)	409,000	53,000
<u>2016 Series Refunding Bonds:</u>					
Current Interest Bonds	8,205,000	-	(25,000)	8,180,000	25,000
Capital Appreciation Bonds	80,000	-	-	80,000	-
Accreted Interest	43,885	20,959	-	64,844	-
<u>2017 Series Refunding Bonds:</u>					
Current Interest Bonds	3,970,000	-	(5,000)	3,965,000	5,000
Capital Appreciation Bonds	35,000	-	-	35,000	-
Accreted Interest	17,706	9,152	-	26,858	-
Net Pension Liability	10,327,570	11,619	(65,558)	10,273,631	-
Net OPEB Liability	1,107,039	-	(164,536)	942,503	-
Compensated absences	924,297	136,178	(40,643)	1,019,832	51,025
Total long-term obligations, governmental activities	<u>\$ 25,976,497</u>	<u>\$ 177,908</u>	<u>\$ (747,737)</u>	25,406,668	<u>\$ 544,025</u>
			Add: Unamortized Premium	<u>1,545,900</u>	
				<u>\$ 26,952,568</u>	

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability/asset is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

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

B. Classroom Facilities and School Improvement Bonds

On September 20, 2011, the District issued general obligation bonds (school improvement bonds -series 2011) in order to fund the local share of the Ohio Schools Facilities Commission (OSFC) project. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The bonds will be paid from the bond retirement fund. The source of payment is derived from the District's property tax bond levy.

The issued is comprised of current interest bonds, par value \$14,750,000. The interest rates on the current interest bonds range from 2.00% to 5.00%.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on February 1 and August 1 of each year. The final stated maturity of the current interest bonds is August 1, 2039.

Principal and interest requirements to retire the long-term bonds are as follows:

<u>Fiscal Year Ended</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 410,000	\$ 6,150	\$ 416,150

C. Energy Conservation Bonds - Series 2012

In August 2012, the District issued \$788,336 in energy conservation bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 2.95%, mature on December 1, 2026 and will be paid from the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the energy conservation bonds are as follows:

<u>Fiscal Year Ended</u>	<u>Energy Conservation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 53,000	\$ 11,284	\$ 64,284
2022	55,000	9,691	64,691
2023	57,000	8,039	65,039
2024	58,000	6,343	64,343
2025	60,000	4,602	64,602
2026 - 2027	126,000	3,745	129,745
Total	\$ 409,000	\$ 43,704	\$ 452,704

D. School Improvement Refunding Bonds - Series 2016

On November 22, 2016, the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2016) to advance refund \$8,390,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$8,310,000 and capital appreciation bonds, par value \$80,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2026 (interest rate 16.443%), at a redemption price equal to 100% of the principal, plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$370,000. Total accreted interest of \$64,844 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2039.

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$1,042,026. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the term of the lease by \$756,271 and resulted in a net present value economic gain of \$597,665.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2021	\$ 25,000	\$ 322,150	\$ 347,150
2022	25,000	321,650	346,650
2023	25,000	321,150	346,150
2024	25,000	320,650	345,650
2025	25,000	320,150	345,150
2026 - 2030	245,000	1,575,750	1,820,750
2031 - 2035	3,520,000	1,221,800	4,741,800
2036 - 2040	4,290,000	442,000	4,732,000
Total	<u>\$ 8,180,000</u>	<u>\$ 4,845,300</u>	<u>\$ 13,025,300</u>

Fiscal Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026 - 2030	80,000	290,000	370,000
2031 - 2035	-	-	-
2036 - 2040	-	-	-
Total	<u>\$ 80,000</u>	<u>\$ 290,000</u>	<u>\$ 370,000</u>

E. School Improvement Refunding Bonds - Series 2017

On February 16, 2017 the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2017) to advance refund \$4,100,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of current interest bonds, par value \$4,065,000 and capital appreciation bonds, par value \$35,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2023 (interest rate 16.933%), at a redemption price equal to 100% of the principal, plus accreted interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$26,858 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$368,998. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments by \$289,975 and resulted in a net present value economic gain of \$241,896.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal	<u>Current Interest Bonds</u>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,000	\$ 158,450	\$ 163,450
2022	440,000	149,600	589,600
2023	460,000	131,600	591,600
2024	370,000	115,000	485,000
2025	495,000	97,700	592,700
2026 - 2030	<u>2,195,000</u>	<u>247,700</u>	<u>2,442,700</u>
Total	<u>\$ 3,965,000</u>	<u>\$ 900,050</u>	<u>\$ 4,865,050</u>

Fiscal	<u>Capital Appreciation Bonds</u>		
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	35,000	65,000	100,000
2025	-	-	-
2026 - 2030	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,000</u>	<u>\$ 65,000</u>	<u>\$ 100,000</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$3,933,733, including available funds of \$876,472 and an unvoted debt margin of \$174,747. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2020, the District has contracted with Argonaut Insurance Group to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$1,000,000	\$ 0
Annual aggregate	3,000,000	0
Commercial excess liability:		
Each occurrence	5,000,000	0
Annual aggregate	5,000,000	0
Crime coverage		
Theft, Disappearance, Destruction	50,000	500
Public Employee Dishonesty	100,000	1,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist & Underinsured	1,000,000	0
Comprehensive and Collision	1,000,000	500
Building and contents	44,143,439	2,500

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Medical and Dental Insurance

During fiscal year 2020, the District was a member of the Stark County Schools Council of Governments Health Care Benefit Program (Council), a shared risk pool (See Note 2.A.) to provide employees with medical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

C. Workers' Compensation

For fiscal year 2020, the District participated in the Ohio Schools Council Association (the "Council") Workers' Compensation Group Rating Plan (GRP), a jointly governed organization. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative cost control and actuarial services to the Council.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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.

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 due to other governments/intergovernmental payable/pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$202,337 for fiscal year 2020. Of this amount, \$23,871 is reported as pension and postemployment benefits payable.

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The District's contractually required contribution to STRS was \$625,156 for fiscal year 2020. Of this amount, \$112,728 is reported as pension and postemployment benefits payable.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03951630%	0.03667677%	
Proportion of the net pension liability current measurement date	<u>0.03672990%</u>	<u>0.03651927%</u>	
Change in proportionate share	<u>-0.00278640%</u>	<u>-0.00015750%</u>	
Proportionate share of the net pension liability	\$ 2,197,614	\$ 8,076,017	\$ 10,273,631
Pension expense	\$ 257,751	\$ 1,116,980	\$ 1,374,731

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 55,727	\$ 65,752	\$ 121,479
Changes of assumptions	-	948,684	948,684
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	15,657	33,545	49,202
Contributions subsequent to the measurement date	<u>202,337</u>	<u>625,156</u>	<u>827,493</u>
Total deferred outflows of resources	<u>\$ 273,721</u>	<u>\$ 1,673,137</u>	<u>\$ 1,946,858</u>

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 34,959	\$ 34,959
Net difference between projected and actual earnings on pension plan investments	28,209	394,710	422,919
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>122,601</u>	<u>166,279</u>	<u>288,880</u>
Total deferred inflows of resources	<u>\$ 150,810</u>	<u>\$ 595,948</u>	<u>\$ 746,758</u>

\$827,493 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

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 Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$ (14,719)	\$ 440,253	\$ 425,534
2022	(78,828)	26,258	(52,570)
2023	(1,877)	(55,617)	(57,494)
2024	<u>15,998</u>	<u>41,139</u>	<u>57,137</u>
Total	<u>\$ (79,426)</u>	<u>\$ 452,033</u>	<u>\$ 372,607</u>

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,079,643	\$ 2,197,614	\$ 1,457,923

Actuarial Assumptions - STRS

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return **</u>
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	<u>100.00 %</u>	

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 11,802,199	\$ 8,076,017	\$ 4,921,613

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$25,600.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$25,600 for fiscal year 2020. Of this amount, \$25,600 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.03990380%	0.03667677%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03747840%</u>	<u>0.03651927%</u>	
Change in proportionate share	<u>-0.00242540%</u>	<u>-0.00015750%</u>	
Proportionate share of the net OPEB liability	\$ 942,503	\$ -	\$ 942,503
Proportionate share of the net OPEB asset	\$ -	\$ (604,847)	\$ (604,847)
OPEB expense	\$ 3,641	\$ (193,255)	\$ (189,614)

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 13,836	\$ 54,835	\$ 68,671
Net difference between projected and actual earnings on OPEB plan investments	2,262	-	2,262
Changes of assumptions	68,839	12,714	81,553
Difference between employer contributions and proportionate share of contributions/change in proportionate share	21,663	9,224	30,887
Contributions subsequent to the measurement date	<u>25,600</u>	<u>-</u>	<u>25,600</u>
Total deferred outflows of resources	<u>\$ 132,200</u>	<u>\$ 76,773</u>	<u>\$ 208,973</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 207,061	\$ 30,773	\$ 237,834
Net difference between projected and actual earnings on OPEB plan investments	-	37,989	37,989
Changes of assumptions	52,817	663,146	715,963
Difference between employer contributions and proportionate share of contributions/change in proportionate share	<u>78,461</u>	<u>36,908</u>	<u>115,369</u>
Total deferred inflows of resources	<u>\$ 338,339</u>	<u>\$ 768,816</u>	<u>\$ 1,107,155</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$25,600 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	\$ (76,050)	\$ (152,456)	\$ (228,506)
2022	(34,452)	(152,456)	(186,908)
2023	(33,788)	(137,233)	(171,021)
2024	(33,898)	(131,890)	(165,788)
2025	(35,912)	(119,589)	(155,501)
Thereafter	(17,639)	1,581	(16,058)
Total	\$ (231,739)	\$ (692,043)	\$ (923,782)

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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 1,144,020	\$ 942,503

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB liability	\$ 755,136	\$ 942,503

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 516,116	\$ 604,847

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 685,868	\$ 604,847

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (132,242)
Net adjustment for revenue accruals	(528,979)
Net adjustment for expenditure accruals	(48,581)
Funds budgeted elsewhere	5,199
Adjustment for encumbrances	<u>292,871</u>
GAAP basis	<u>\$ (411,732)</u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the final ODE adjustment for fiscal year 2020, ODE owes \$11,785 to the District. This amount is not shown on the financial statements.

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	158,148
Current year qualifying expenditures	(74,027)
Current year offsets	<u>(311,119)</u>
Total	<u>\$ (226,998)</u>
Balance carried forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 251,537
Nonmajor governmental funds	<u>53,071</u>
Total	<u>\$ 304,608</u>

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Wayne County provides tax abatements through Enterprise Zones (Ezone).

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The Ezone agreements entered into by Wayne County affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by approximately \$21,976.

NOTE 19 – COVID-19

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

REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03672990%	0.03951630%	0.03813690%	0.04054600%
District's proportionate share of the net pension liability	\$ 2,197,614	\$ 2,263,172	\$ 2,278,596	\$ 2,967,593
District's covered payroll	\$ 1,252,385	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079
District's proportionate share of the net pension liability as a percentage of its covered payroll	175.47%	177.97%	184.19%	235.51%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.04144680%	0.04224400%	0.04224400%
\$ 2,364,995	\$ 2,137,945	\$ 2,512,115
\$ 1,247,762	\$ 1,227,511	\$ 1,163,743
189.54%	174.17%	215.87%
69.16%	71.70%	65.52%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.03651927%	0.03667677%	0.03636613%	0.03754417%
District's proportionate share of the net pension liability	\$ 8,076,017	\$ 8,064,398	\$ 8,638,852	\$ 12,567,165
District's covered payroll	\$ 4,414,193	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686
District's proportionate share of the net pension liability as a percentage of its covered payroll	182.96%	195.15%	215.44%	317.38%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.31%	75.30%	66.80%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03734956%	0.03698384%	0.03698384%
\$ 10,322,326	\$ 8,995,750	\$ 10,715,678
\$ 3,955,581	\$ 3,778,731	\$ 3,661,146
260.96%	238.06%	292.69%
72.10%	74.70%	69.30%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 202,337	\$ 169,072	\$ 171,677	\$ 173,189
Contributions in relation to the contractually required contribution	<u>(202,337)</u>	<u>(169,072)</u>	<u>(171,677)</u>	<u>(173,189)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,445,264	\$ 1,252,385	\$ 1,271,681	\$ 1,237,064
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 176,411	\$ 164,455	\$ 170,133	\$ 161,062	\$ 162,304	\$ 158,508
<u>(176,411)</u>	<u>(164,455)</u>	<u>(170,133)</u>	<u>(161,062)</u>	<u>(162,304)</u>	<u>(158,508)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,260,079	\$ 1,247,762	\$ 1,227,511	\$ 1,163,743	\$ 1,206,721	\$ 1,261,002
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 625,156	\$ 617,987	\$ 578,546	\$ 561,381
Contributions in relation to the contractually required contribution	<u>(625,156)</u>	<u>(617,987)</u>	<u>(578,546)</u>	<u>(561,381)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,465,400	\$ 4,414,193	\$ 4,132,471	\$ 4,009,864
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 554,356	\$ 553,780	\$ 491,235	\$ 475,949	\$ 497,748	\$ 515,734
<u>(554,356)</u>	<u>(553,780)</u>	<u>(491,235)</u>	<u>(475,949)</u>	<u>(497,748)</u>	<u>(515,734)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,959,686	\$ 3,955,571	\$ 3,778,731	\$ 3,661,146	\$ 3,828,831	\$ 3,967,185
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03747840%	0.03990380%	0.03839910%	0.04086665%
District's proportionate share of the net OPEB liability	\$ 942,503	\$ 1,107,039	\$ 1,030,531	\$ 1,164,851
District's covered payroll	\$ 1,252,385	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	75.26%	87.05%	83.30%	92.44%
Plan fiduciary net position as a percentage of the total OPEB liability	15.57%	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03651927%	0.03667677%	0.03636613%	0.03754417%
District's proportionate share of the net OPEB liability/(asset)	\$ (604,847)	\$ (589,358)	\$ 1,418,872	\$ 2,007,872
District's covered payroll	\$ 4,414,193	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.70%	14.26%	35.38%	50.71%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	174.70%	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 25,600	\$ 28,376	\$ 27,092	\$ 19,536
Contributions in relation to the contractually required contribution	<u>(25,600)</u>	<u>(28,376)</u>	<u>(27,092)</u>	<u>(19,536)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,445,264	\$ 1,252,385	\$ 1,271,681	\$ 1,237,064
Contributions as a percentage of covered payroll	1.77%	2.27%	2.13%	1.58%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 19,725	\$ 30,368	\$ 21,992	\$ 20,215	\$ 31,486	\$ 44,951
<u>(19,725)</u>	<u>(30,368)</u>	<u>(21,992)</u>	<u>(20,215)</u>	<u>(31,486)</u>	<u>(44,951)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,260,079	\$ 1,247,762	\$ 1,227,511	\$ 1,163,743	\$ 1,206,721	\$ 1,261,002
1.57%	2.43%	1.79%	1.74%	2.61%	3.56%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,465,400	\$ 4,414,193	\$ 4,132,471	\$ 4,009,864
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ -	\$ -	\$ 37,915	\$ 36,611	\$ 38,288	\$ 39,672
-	-	(37,915)	(36,611)	(38,288)	(39,672)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,959,686	\$ 3,955,571	\$ 3,778,731	\$ 3,661,146	\$ 3,828,831	\$ 3,967,185
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal years 2019-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2020.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal years 2019-2020.

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

(Continued)

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%. For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. For fiscal year 2020, STRS increase the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate. For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 42,200
Cash Assistance		
School Breakfast Program	10.553	6,654
COVID-19 - School Breakfast Program		24,376
National School Lunch Program	10.555	55,914
COVID-19 - National School Lunch Program		60,560
Total Child Nutrition Cluster		189,704
Total U.S. Department of Agriculture		189,704
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Passed Through Ohio Department of Education</i>		
<i>Special Education Cluster</i>		
Special Education - Grants to States	84.027	210,178
Total Special Education Cluster		210,178
Title I Grants to Local Educational Agencies	84.010	298,919
Supporting Effective Instruction State Grants	84.367	51,414
Student Support and Academic Enrichment Program	84.424	12,514
Total U.S. Department of Education		573,025
Total Expenditures of Federal Awards		\$ 762,729

The accompanying notes are an integral part of this schedule.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Dalton Local School District (the District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE 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*

Dalton Local School District
Wayne County
177 North Mill Street
Dalton, Ohio 44618

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dalton Local School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 8, 2021

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

Dalton Local School District
Wayne County
117 North Mill Street
Dalton, Ohio 44618

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Dalton Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Dalton Local School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Dalton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2020.

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

February 8, 2021

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

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 #84.010 – Title I Grants to Local Educational Services
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**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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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2019**

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Dalton Local School District
Wayne County
177 North Mill Street
Dalton, Ohio 44618

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, 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

February 8, 2021

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position of governmental activities increased \$1,633,993, which represents a 1,871.36% increase from 2018's net position.
- General revenues accounted for \$9,784,368 in revenue or 81.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,295,824 or 19.00% of total revenues of \$12,080,192.
- The District had \$10,446,199 in expenses related to governmental activities; \$2,295,824 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,784,368 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$9,529,664 in revenues and \$8,975,205 in expenditures. During fiscal year 2019, the general fund's fund balance increased \$554,459 from a balance of \$2,168,214 to a balance of \$2,722,673.
- The bond retirement fund had \$992,988 in revenues. The bond retirement fund also had \$929,946 in expenditures. During fiscal year 2019, the bond retirement fund's fund balance increased \$63,042 from a balance of \$878,299 to a balance of \$941,341.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of net position on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-64 of this report.

Required Supplementary Information

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

The District as a Whole

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

	Net Position	
	Governmental Activities 2019	Governmental Activities 2018
	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current and other assets	\$ 10,247,655	\$ 9,237,469
Capital assets, net	<u>21,976,854</u>	<u>22,531,242</u>
Total assets	<u>32,224,509</u>	<u>31,768,711</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on refunding	1,220,448	1,295,604
Pension	2,697,618	3,268,136
OPEB	<u>152,928</u>	<u>108,998</u>
Total deferred outflows of resources	<u>4,070,994</u>	<u>4,672,738</u>
<u>Liabilities</u>		
Current liabilities	1,333,147	1,298,255
Long-term liabilities:		
Due within one year	494,399	492,723
Due in more than one year:		
Net pension liability	10,327,570	10,917,448
Net OPEB liability	1,107,039	2,449,403
Other amounts	<u>15,688,972</u>	<u>16,179,847</u>
Total liabilities	<u>28,951,127</u>	<u>31,337,676</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	3,640,427	3,839,785
Pension	896,341	791,601
OPEB	<u>1,086,299</u>	<u>385,071</u>
Total deferred inflows of resources	<u>5,623,067</u>	<u>5,016,457</u>
<u>Net Position</u>		
Net investment in capital assets	7,975,755	8,078,782
Restricted	1,855,461	1,826,762
Unrestricted (deficit)	<u>(8,109,907)</u>	<u>(9,818,228)</u>
Total net position	<u>\$ 1,721,309</u>	<u>\$ 87,316</u>

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,721,309. Of this total, \$1,855,461 is restricted in use.

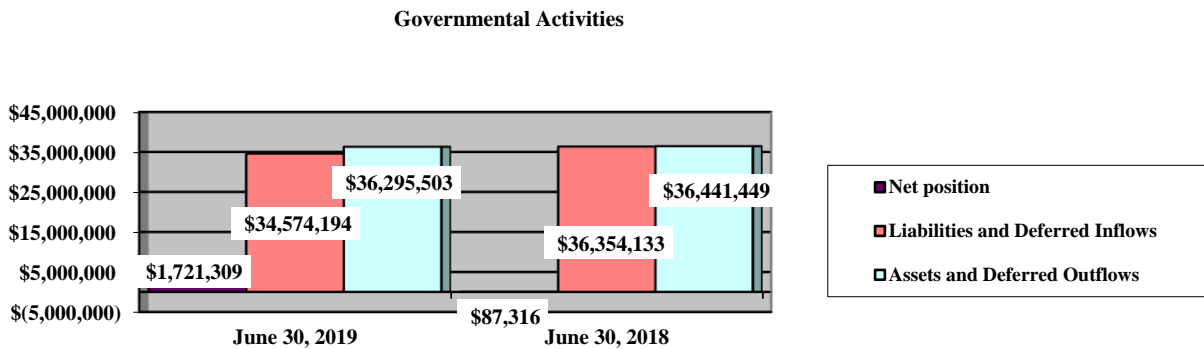
**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

At year-end, capital assets represented 68.20% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2019, was \$7,975,755. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,855,461, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$8,109,907.

The graph below presents the District's governmental assets and deferred outflows of resources, liabilities and net position at June 30, 2019 and June 30, 2018.



The table below shows the changes in net position for governmental activities for fiscal years 2019 and 2018.

	Change in Net Position	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,113,236	\$ 1,069,504
Operating grants and contributions	1,182,588	1,180,518
General revenues:		
Property taxes	4,580,009	4,462,593
School district income tax	1,462,121	1,329,782
Grants and entitlements	3,612,180	3,492,252
Investment earnings	109,134	64,658
Other	<u>20,924</u>	<u>58,314</u>
Total revenues	<u>\$ 12,080,192</u>	<u>\$ 11,657,621</u>

- Continued

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

	Change in Net Position (Continued)	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,722,311	\$ 1,882,873
Special	1,097,685	652,032
Vocational	240	19,016
Other	348,706	420,121
Support services:		
Pupil	486,164	287,506
Instructional staff	288,138	150,204
Board of education	7,902	5,208
Administration	760,399	382,653
Fiscal	315,278	284,167
Operations and maintenance	1,573,770	1,819,199
Pupil transportation	406,904	230,881
Central	12,192	8,780
Food service operations	279,726	175,491
Other non-instructional services	263,401	195,888
Extracurricular activities	357,464	193,561
Interest and fiscal charges	<u>525,919</u>	<u>532,784</u>
Total expenses	<u>10,446,199</u>	<u>7,240,364</u>
Change in net position	1,633,993	4,417,257
Net position (deficit) at beginning of year	<u>87,316</u>	<u>(4,329,941)</u>
Net position at end of year	<u>\$ 1,721,309</u>	<u>\$ 87,316</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,633,993. Total governmental expenses of \$10,446,199 were offset by program revenues of \$2,295,824 and general revenues of \$9,784,368. Program revenues supported 21.98% of the total governmental expenses.

Expenses of the governmental activities increased \$3,205,835 or 44.28%. This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported \$872,439 and (\$3,521,020) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported (\$1,246,048) and (\$400,619) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was \$3,548,030. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities. The District's total expenses for fiscal year 2019 are comparable to total fiscal year 2017 expenses.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

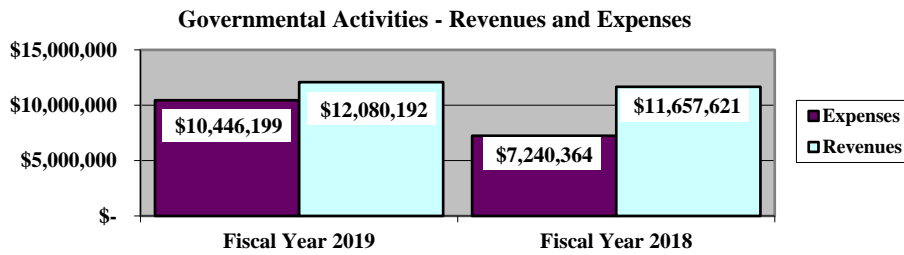
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 79.72% of total governmental revenues.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,168,942 or 49.48% of total governmental expenses for fiscal year 2019.

The property tax revenue of the District increased during fiscal year 2019. The District receives collections resulting from the passing of a .5 mill continuous permanent improvement levy in May of 2011.

The following graph presents the District's governmental activities revenues and expenses for fiscal years 2019 and 2018.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
Program expenses				
Instruction:				
Regular	\$ 3,722,311	\$ 2,973,004	\$ 1,882,873	\$ 1,091,305
Special	1,097,685	392,727	652,032	5,689
Vocational	240	(2,154)	19,016	16,622
Other	348,706	348,706	420,121	420,121
Support services:				
Pupil	486,164	326,540	287,506	172,749
Instructional staff	288,138	278,822	150,204	148,333
Board of education	7,902	7,902	5,208	5,208
Administration	760,399	760,399	382,653	370,960
Fiscal	315,278	315,278	284,167	284,167
Operations and maintenance	1,573,770	1,569,661	1,819,199	1,817,407
Pupil transportation	406,904	378,591	230,881	200,932
Central	12,192	12,192	8,780	8,780
Operations of non-instructional services:				
Food service operations	279,726	(8,514)	175,491	(102,006)
Other non-instructional services	263,401	79	195,888	(72,128)
Extracurricular activities	357,464	271,223	193,561	89,419
Interest and fiscal charges	525,919	525,919	532,784	532,784
Total expenses	<u>\$ 10,446,199</u>	<u>\$ 8,150,375</u>	<u>\$ 7,240,364</u>	<u>\$ 4,990,342</u>

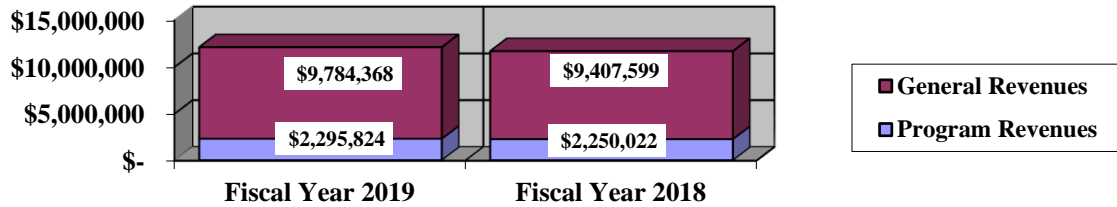
**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

The dependence upon taxes and other general revenues for governmental activities is apparent, 71.82% and 51.57% of instruction activities were supported through taxes and other general revenues for fiscal years 2019 and 2018, respectively. For all governmental activities, general revenue support is 78.02%.

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,737,456, which is greater than last year's balance of \$4,164,613. The schedule that follows indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change	Percentage Change
General	\$ 2,722,673	\$ 2,168,214	\$ 554,459	25.57 %
Bond retirement	941,341	878,299	63,042	7.18 %
Other Governmental	1,073,442	1,118,100	(44,658)	(3.99) %
Total	\$ 4,737,456	\$ 4,164,613	\$ 572,843	13.76 %

General Fund

The District's general fund balance increased \$554,459. Earnings on investments increased by \$38,103 primarily due to the District's investments in STAR Ohio earning greater returns.

Expenditures increased \$156,942 or 1.78% from fiscal year 2018. The increase in support services can primarily be attributed to an increase in administration, fiscal, and operations and maintenance expenditures.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,852,301	\$ 4,655,807	\$ 196,494	4.22 %
Tuition	724,341	693,948	30,393	4.38 %
Earnings on investments	92,308	54,205	38,103	70.29 %
Classroom materials and fees	1,624	1,868	(244)	(13.06) %
Intergovernmental	3,703,938	3,608,002	95,936	2.66 %
Other revenues	<u>155,152</u>	<u>162,278</u>	<u>(7,126)</u>	(4.39) %
Total	<u>\$ 9,529,664</u>	<u>\$ 9,176,108</u>	<u>\$ 353,556</u>	3.85 %
<u>Expenditures</u>				
Instruction	\$ 5,342,142	\$ 5,406,488	\$ (64,346)	(1.19) %
Support services	3,333,166	3,124,709	208,457	6.67 %
Operation of non-instructional services	4,706	7,855	(3,149)	(40.09) %
Extracurricular activities	<u>295,191</u>	<u>279,211</u>	<u>15,980</u>	5.72 %
Total	<u>\$ 8,975,205</u>	<u>\$ 8,818,263</u>	<u>\$ 156,942</u>	1.78 %

Bond Retirement Fund

The bond retirement fund had \$992,988 in revenues. Expenditures totaled \$929,946. During fiscal year 2019, the bond retirement fund's fund balance increased \$63,042 from a balance of \$878,299 to \$941,341.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the District had an original and final general fund budget. For the general fund, original budgeted revenues of \$8,903,300 were equal to final budgeted revenues. Actual revenues and other financing sources for fiscal year 2019 were \$9,115,655, which was \$212,355 higher than the final and original budgeted revenues.

General fund original and final appropriations (appropriated expenditures) were \$9,115,698. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$9,108,447 which was \$7,251 lower than the original and final budget appropriations.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$21,976,854 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This is a \$554,388 decrease over last year due to the District's depreciation expense exceeding capital asset additions during fiscal year 2019.

The following table shows June 30, 2019 balances compared to June 30, 2018:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2019	2018
Land	\$ 753,364	\$ 753,364
Construction in progress	30,823	-
Land improvements	1,272,534	1,318,745
Building and improvements	19,142,520	19,725,195
Furniture and equipment	453,109	459,042
Vehicles	324,504	274,896
Total	\$ 21,976,854	\$ 22,531,242

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

Debt Administration

At June 30, 2019, the District had \$461,000 in energy conservation bonds outstanding and \$13,156,591 in school improvement bonds. Of this total, \$477,000 is due within one year and \$13,140,591 is due in more than one year. The following table summarizes the energy conservation bonds and school improvement bonds outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2019	2018
Energy conservation bonds	\$ 461,000	\$ 511,000
School improvement bonds	13,156,591	13,535,866
Total	\$ 13,617,591	\$ 14,046,866

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

Current Financial Related Activities

The District relies heavily upon revenue from grants, property taxes and the state foundation program. In August of 2004, the voters of the District passed a .75% income tax levy to help meet the increasing costs of educating our students. The District continues to strive to maintain the highest standards of excellence in educating our students, while carefully making the most effective use out of each dollar received.

The District has worked hard to contain costs but is faced with ever-increasing mandates from the federal and state levels. Over the past few years, reduction in staffing and other cost containment measures have been taken. The District expects revenue and carryover cash balances to be sufficient to meet operating expenses through fiscal year 2019; however, there are still many challenges to overcome.

The community made a significant investment in the District with the overwhelming passage of a 6 mill bond levy to build a new Pre K-8 building. Even with the passage of this bond the District needs to address the high school. The 2 mill permanent improvement levy was renewed in August 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Patrick McGinty, Treasurer, Dalton Local School District, 177 Mill Street, Dalton, Ohio 44618.

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,487,260
Receivables:	
Property taxes	4,256,779
Income taxes.	716,081
Accrued interest	3,634
Intergovernmental	183,889
Prepayments	6,909
Materials and supplies inventory.	502
Inventory held for resale.	2,744
Loans receivable.	499
Net OPEB asset	589,358
Capital assets:	
Nondepreciable capital assets.	784,187
Depreciable capital assets, net.	21,192,667
Capital assets, net	21,976,854
Total assets.	32,224,509
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,220,448
Pension	2,697,618
OPEB	152,928
Total deferred outflows of resources	4,070,994
Liabilities:	
Accounts payable.	59,803
Contracts payable.	24,064
Accrued wages and benefits payable	860,569
Intergovernmental payable	35,162
Pension and postemployment benefits payable.	143,389
Accrued interest payable	210,160
Long-term liabilities:	
Due within one year.	494,399
Due in more than one year:	
Net pension liability	10,327,570
Net OPEB liability	1,107,039
Other amounts due in more than one year	15,688,972
Total liabilities	28,951,127
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,640,427
Pension	896,341
OPEB	1,086,299
Total deferred inflows of resources	5,623,067
Net position:	
Net investment in capital assets	7,975,755
Restricted for:	
Capital projects	980,424
Classroom facilities maintenance	122,723
Debt service.	672,843
Locally funded programs	2,013
State funded programs.	17,474
Federally funded programs	1,035
Student activities	32,828
Other purposes	26,121
Unrestricted (deficit)	(8,109,907)
Total net position	\$ 1,721,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 3,722,311	\$ 688,788	\$ 60,519	\$ (2,973,004)
Special	1,097,685	37,177	667,781	(392,727)
Vocational	240	-	2,394	2,154
Other	348,706	-	-	(348,706)
Support services:				
Pupil.	486,164	133,418	26,206	(326,540)
Instructional staff	288,138	-	9,316	(278,822)
Board of education	7,902	-	-	(7,902)
Administration.	760,399	-	-	(760,399)
Fiscal.	315,278	-	-	(315,278)
Operations and maintenance	1,573,770	2,555	1,554	(1,569,661)
Pupil transportation.	406,904	16,054	12,259	(378,591)
Central	12,192	-	-	(12,192)
Operation of non-instructional services:				
Other non-instructional services	263,401	-	263,322	(79)
Food service operations	279,726	152,472	135,768	8,514
Extracurricular activities.	357,464	82,772	3,469	(271,223)
Interest and fiscal charges	525,919	-	-	(525,919)
Total governmental activities	\$ 10,446,199	\$ 1,113,236	\$ 1,182,588	(8,150,375)
General revenues:				
Property taxes levied for:				
General purposes				3,391,101
Debt service.				880,749
Capital outlay.				235,068
Special revenue.				73,091
School district income tax				1,462,121
Grants and entitlements not restricted				
to specific programs				3,612,180
Investment earnings				109,134
Miscellaneous				20,924
Total general revenues				9,784,368
Change in net position				1,633,993
Net position at beginning of year				87,316
Net position at end of year.				\$ 1,721,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,494,727	\$ 823,688	\$ 1,168,845	\$ 4,487,260
Receivables:				
Property taxes.	3,146,826	810,853	299,100	4,256,779
Income taxes	716,081	-	-	716,081
Accrued interest	3,634	-	-	3,634
Interfund loans	35,000	-	-	35,000
Intergovernmental.	65,819	-	118,070	183,889
Prepayments.	6,759	-	150	6,909
Materials and supplies inventory.	-	-	502	502
Inventory held for resale.	-	-	2,744	2,744
Due from other funds	91,550	-	-	91,550
Loan receivable	499	-	-	499
Total assets	<u>\$ 6,560,895</u>	<u>\$ 1,634,541</u>	<u>\$ 1,589,411</u>	<u>\$ 9,784,847</u>
Liabilities:				
Accounts payable	\$ 35,189	\$ -	\$ 24,614	\$ 59,803
Contracts payable.	-	-	24,064	24,064
Accrued wages and benefits payable	794,780	-	65,789	860,569
Intergovernmental payable	34,644	-	518	35,162
Pension and postemployment benefits payable	135,831	-	7,558	143,389
Interfund loans payable.	-	-	35,000	35,000
Due to other funds	-	-	91,550	91,550
Total liabilities.	<u>1,000,444</u>	<u>-</u>	<u>249,093</u>	<u>1,249,537</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	2,694,966	689,947	255,514	3,640,427
Delinquent property tax revenue not available.	12,626	3,253	1,200	17,079
Income tax revenue not available	91,612	-	-	91,612
Intergovernmental revenue not available.	23,046	-	10,162	33,208
Miscellaneous revenue not available.	15,528	-	-	15,528
Total deferred inflows of resources	<u>2,837,778</u>	<u>693,200</u>	<u>266,876</u>	<u>3,797,854</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	502	502
Prepays.	6,759	-	150	6,909
Restricted:				
Debt service	-	941,341	-	941,341
Capital improvements	-	-	955,430	955,430
Classroom facilities maintenance	-	-	122,453	122,453
Non-public schools	-	-	17,413	17,413
Other purposes.	-	-	28,655	28,655
Extracurricular.	-	-	32,828	32,828
Assigned:				
Student instruction	73,436	-	-	73,436
Student and staff support.	168,754	-	-	168,754
Extracurricular activities	5,619	-	-	5,619
Subsequent year's appropriations	123,950	-	-	123,950
Unassigned (deficit).	2,344,155	-	(83,989)	2,260,166
Total fund balances	<u>2,722,673</u>	<u>941,341</u>	<u>1,073,442</u>	<u>4,737,456</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,560,895</u>	<u>\$ 1,634,541</u>	<u>\$ 1,589,411</u>	<u>\$ 9,784,847</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

Total governmental fund balances		\$	4,737,456
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,976,854
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	17,079	
Income taxes receivable		91,612	
Intergovernmental receivable		33,208	
Miscellaneous receivable		15,528	
Total		157,427	157,427
Unamortized premiums on bonds issued are not recognized in the funds.			(1,641,483)
Unamortized amounts on refundings are not recognized in the funds.			1,220,448
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(210,160)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(13,617,591)	
Compensated absences		(924,297)	
Total		(14,541,888)	(14,541,888)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - pension		2,697,618	
Deferred Inflows - pension		(896,341)	
Net pension liability		(10,327,570)	
Total		(8,526,293)	(8,526,293)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - OPEB		152,928	
Deferred Inflows - OPEB		(1,086,299)	
Net OPEB asset		589,358	
Net OPEB liability		(1,107,039)	
Total		(1,451,052)	(1,451,052)
Net position of governmental activities		\$	1,721,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,396,997	\$ 882,267	\$ 308,363	\$ 4,587,627
Income taxes	1,455,304	-	-	1,455,304
Tuition	724,341	-	-	724,341
Earnings on investments	92,308	-	18,109	110,417
Charges for services	-	-	154,217	154,217
Extracurricular	133,418	-	98,826	232,244
Classroom materials and fees	1,624	-	-	1,624
Rental income	810	-	-	810
Contributions and donations	-	-	42,870	42,870
Other local revenues	20,924	-	3,580	24,504
Intergovernmental - state	3,658,348	110,721	287,456	4,056,525
Intergovernmental - federal	45,590	-	631,980	677,570
Total revenues	<u>9,529,664</u>	<u>992,988</u>	<u>1,545,401</u>	<u>12,068,053</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,189,751	-	44,550	4,234,301
Special	803,035	-	446,426	1,249,461
Vocational	240	-	-	240
Other	349,116	-	-	349,116
Support services:				
Pupil	504,026	-	19,072	523,098
Instructional staff	294,584	-	7,235	301,819
Board of education	8,850	-	-	8,850
Administration	857,620	-	-	857,620
Fiscal	311,226	14,308	4,907	330,441
Operations and maintenance	923,187	-	90,859	1,014,046
Pupil transportation	420,073	-	98,308	518,381
Central	13,600	-	-	13,600
Operation of non-instructional services:				
Other non-instructional services	4,706	-	277,562	282,268
Food service operations	-	-	302,147	302,147
Extracurricular activities	295,191	-	85,340	380,531
Facilities acquisition and construction	-	-	149,330	149,330
Debt service:				
Principal retirement	-	405,000	50,000	455,000
Interest and fiscal charges	-	510,638	14,323	524,961
Total expenditures	<u>8,975,205</u>	<u>929,946</u>	<u>1,590,059</u>	<u>11,495,210</u>
Net change in fund balances	554,459	63,042	(44,658)	572,843
Fund balances at beginning of year	<u>2,168,214</u>	<u>878,299</u>	<u>1,118,100</u>	<u>4,164,613</u>
Fund balances at end of year	<u>\$ 2,722,673</u>	<u>\$ 941,341</u>	<u>\$ 1,073,442</u>	<u>\$ 4,737,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	572,843
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 221,827	
Current year depreciation	(776,215)	
Total		(554,388)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(7,744)	
Income taxes	6,817	
Intergovernmental	235	
Miscellaneous	15,528	
Total		14,836
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		455,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,342	
Accreted interest on capital appreciation bonds	(25,725)	
Amortization of deferred charges	(75,156)	
Amortization of bond premiums	95,581	
Total		(958)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(42,384)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		787,059
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(872,439)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		28,376
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability/asset are reported as OPEB expense in the statement of activities.		
		1,246,048
Change in net position of governmental activities	\$	1,633,993

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 3,114,800	\$ 3,114,800	\$ 3,211,457	\$ 96,657
Income taxes	1,325,000	1,325,000	1,328,650	3,650
Tuition	690,000	690,000	729,180	39,180
Earnings on investments	55,000	55,000	90,784	35,784
Classroom materials and fees	2,000	2,000	1,624	(376)
Rental income	1,400	1,400	810	(590)
Other local revenues	44,200	44,200	33,674	(10,526)
Intergovernmental - state	3,640,900	3,640,900	3,644,667	3,767
Intergovernmental - federal	30,000	30,000	45,590	15,590
Total revenues	<u>8,903,300</u>	<u>8,903,300</u>	<u>9,086,436</u>	<u>183,136</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,106,932	4,106,932	4,173,552	(66,620)
Special	913,603	913,603	863,813	49,790
Vocational	23,050	23,050	10,905	12,145
Other	444,600	444,600	349,573	95,027
Support services:				
Pupil	350,398	350,398	431,350	(80,952)
Instructional staff	359,522	359,522	318,433	41,089
Board of education	10,500	10,500	8,850	1,650
Administration	837,965	837,965	864,594	(26,629)
Fiscal	302,243	302,243	332,453	(30,210)
Operations and maintenance	1,028,118	1,028,118	971,716	56,402
Pupil transportation	437,007	437,007	431,273	5,734
Central	14,050	14,050	14,370	(320)
Other operation of non-instructional services	-	-	4,706	(4,706)
Extracurricular activities	287,710	287,710	303,640	(15,930)
Total expenditures	<u>9,115,698</u>	<u>9,115,698</u>	<u>9,079,228</u>	<u>36,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(212,398)</u>	<u>(212,398)</u>	<u>7,208</u>	<u>219,606</u>
Other financing sources (uses):				
Transfers in	-	-	4,711	4,711
Transfers (out)	-	-	(4,711)	(4,711)
Advances in	-	-	24,508	24,508
Advances (out)	-	-	(24,508)	(24,508)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(212,398)	(212,398)	7,208	219,606
Fund balance at beginning of year	2,140,286	2,140,286	2,140,286	-
Prior year encumbrances appropriated	153,908	153,908	153,908	-
Fund balance at end of year	<u>\$ 2,081,796</u>	<u>\$ 2,081,796</u>	<u>\$ 2,301,402</u>	<u>\$ 219,606</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 114,965
Total assets.	\$ 114,965
Liabilities:	
Accounts payable.	\$ 2,174
Accrued wages and benefits	3
Loan payable	499
Due to students.	112,289
Total liabilities	\$ 114,965

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Dalton Local School District, Wayne County, Ohio, (the “District”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for providing public education to residents of the District.

Enrollment in the District as of June 30, 2019 was 890 students. The District employed 75 certified employees and 48 non-certified employees.

The District’s management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

Stark/Portage Area Computer Consortium

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and educational service centers from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent with the Consortium. The Stark County Educational Service Center serves as the fiscal agent of SPARCC and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 6057 Strip Avenue NW, North Canton, Ohio 44720.

PUBLIC ENTITY RISK POOLS

The Stark County Schools Council of Governments Health Care Benefit Program

The Stark County Schools Council of Governments Health Care Benefit Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating member (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

INSURANCE POOLS

Workers' Compensation Group Rating Program

The Ohio Schools Council Association (the "Council") is a Council of Governments comprised of one-hundred-fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district 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.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used for the retirement of serial bonds and short-term notes and loans.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and current deferred inflows 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.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes (See Note 7), grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgets

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 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. The specific timetable for fiscal year 2019 is as follows:

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2019.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as part of restricted, committed, or assigned fund balance.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

F. Cash and Investments

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

During fiscal year 2019, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$92,308, which includes \$30,510 assigned from other District funds.

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

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net position.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District’s capitalization threshold is \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	8 - 35 years
Vehicles	15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables” and “due to/from other funds”. These amounts are eliminated in the governmental type activities columns of the statement of net position. Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental financial statements.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability in the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Fund Balance

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

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

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

M. Net Position

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

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

N. Estimates

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

O. Interfund Activity

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

P. Pensions/Other Postemployment Benefits (OPEB)

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

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

Q. Extraordinary and Special Items

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

R. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of the bonds and the amount reported on the statement of net position is presented in Note 10.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 42,779
IDEA Part-B	28,601
Title I	11,955
Improving teacher quality	2

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits, including \$250,000 in nonnegotiable certificates of deposit, was \$288,870. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, all of the District's bank balance of \$472,946 was covered by the FDIC.

C. Investments

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

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>Investment Maturity</u> 6 months or less
Amortized cost:		
STAR Ohio	<u>\$ 4,313,255</u>	<u>\$ 4,313,255</u>

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

The District's policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	<u>\$ 4,313,255</u>	<u>100.00</u>

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 288,870
Investments	4,313,255
Cash on hand	<u>100</u>
Total	<u>\$ 4,602,225</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,487,260
Agency fund	<u>114,965</u>
Total	<u>\$ 4,602,225</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Payable

Interfund balances for the year ended June 30, 2019, consisted of the following interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 35,000

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Loans Payable

Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	\$ 499

C. Due To / Due From Other Funds

Interfund balances at June 30, 2019 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 91,550

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

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.

NOTE 6 - PROPERTY TAXES

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$439,234 in the general fund, \$117,653 in the bond retirement fund, \$32,726 in the permanent improvement fund (a nonmajor governmental fund), and \$9,660 in the classroom facilities fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$253,694 in the general fund, \$65,351 in the bond retirement fund, \$15,537 in the permanent improvement fund, and \$5,418 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 167,796,510	97.02	\$ 168,434,960	96.82
Public utility personal	<u>5,154,630</u>	<u>2.98</u>	<u>5,538,230</u>	<u>3.18</u>
Total	<u>\$ 172,951,140</u>	<u>100.00</u>	<u>\$ 173,973,190</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.60		\$49.60	

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 7- INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005 and will continue for an indefinite period of time. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2019, \$1,455,304 of income tax revenue was credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, income taxes, 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. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:

Property taxes	\$ 4,256,779
Income taxes	716,081
Accrued interest	3,634
Intergovernmental	<u>183,889</u>
Total	<u>\$ 5,160,383</u>

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

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS

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

	Balance			Balance
	<u>06/30/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/19</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 753,364	\$ -	\$ -	\$ 753,364
Construction in progress	-	30,823	-	30,823
Total capital assets, not being depreciated	<u>753,364</u>	<u>30,823</u>	<u>-</u>	<u>784,187</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,893,569	35,670	-	1,929,239
Buildings and improvements	23,730,363	-	-	23,730,363
Furniture and equipment	943,284	67,238	-	1,010,522
Vehicles	883,149	88,096	(49,182)	922,063
Total capital assets, being depreciated	<u>27,450,365</u>	<u>191,004</u>	<u>(49,182)</u>	<u>27,592,187</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(574,824)	(81,881)	-	(656,705)
Buildings and improvements	(4,005,168)	(582,675)	-	(4,587,843)
Furniture and equipment	(484,242)	(73,171)	-	(557,413)
Vehicles	(608,253)	(38,488)	49,182	(597,559)
Total accumulated depreciation	<u>(5,672,487)</u>	<u>(776,215)</u>	<u>49,182</u>	<u>(6,399,520)</u>
Governmental activities capital assets, net	<u>\$ 22,531,242</u>	<u>\$ (554,388)</u>	<u>\$ -</u>	<u>\$ 21,976,854</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 67,655

Support services:

Instructional staff	7,124
Administration	1,192
Fiscal	871
Operations and maintenance	614,540
Pupil transportation	37,854
Extracurricular activities	40,581
Other non-instructional services	5,796
Food service operations	<u>602</u>
Total depreciation expense	<u>\$ 776,215</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/19</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<u>2011 Series Issue:</u>					
School improvement bonds	\$ 1,180,000	\$ -	\$ (375,000)	\$ 805,000	\$ 395,000
<u>2012 Series Issue:</u>					
Energy conservation bonds	511,000	-	(50,000)	461,000	52,000
<u>2016 Series Refunding Bonds:</u>					
Current Interest Bonds	8,230,000	-	(25,000)	8,205,000	25,000
Capital Appreciation Bonds	80,000	-	-	80,000	-
Accreted Interest	25,958	17,927	-	43,885	-
<u>2017 Series Refunding Bonds:</u>					
Current Interest Bonds	3,975,000	-	(5,000)	3,970,000	5,000
Capital Appreciation Bonds	35,000	-	-	35,000	-
Accreted Interest	9,908	7,798	-	17,706	-
Net Pension Liability	10,917,448	-	(589,878)	10,327,570	-
Net OPEB Liability	2,449,403	76,508	(1,418,872)	1,107,039	-
Compensated absences	888,640	73,380	(37,723)	924,297	17,399
Total long-term obligations, governmental activities	<u>\$ 28,302,357</u>	<u>\$ 175,613</u>	<u>\$ (2,501,473)</u>	25,976,497	<u>\$ 494,399</u>
			Add: Unamortized Premium	<u>1,641,483</u>	
				<u>\$ 27,617,980</u>	

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

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

B. Classroom Facilities and School Improvement Bonds

On September 20, 2011, the District issued general obligation bonds (school improvement bonds - series 2011) in order to fund the local share of the Ohio Schools Facilities Commission (OSFC) project. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The bonds will be paid from the bond retirement fund. The source of payment is derived from the District's property tax bond levy.

The issued is comprised of current interest bonds, par value \$14,750,000. The interest rates on the current interest bonds range from 2.00% to 5.00%.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on February 1 and August 1 of each year. The final stated maturity of the current interest bonds is August 1, 2039.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 395,000	\$ 18,225	\$ 413,225
2021	<u>410,000</u>	<u>6,150</u>	<u>416,150</u>
Total	<u>\$ 805,000</u>	<u>\$ 24,375</u>	<u>\$ 829,375</u>

C. Energy Conservation Bonds - Series 2012

In August 2012, the District issued \$788,336 in energy conservation bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 2.95%, mature on December 1, 2026 and will be paid from the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the energy conservation bonds are as follows:

Fiscal Year Ended	Energy Conservation Bonds		
	Principal	Interest	Total
2020	\$ 52,000	\$ 12,833	\$ 64,833
2021	53,000	11,284	64,284
2022	55,000	9,691	64,691
2023	57,000	8,039	65,039
2024	58,000	6,343	64,343
2025 - 2027	<u>186,000</u>	<u>8,349</u>	<u>194,349</u>
Total	<u>\$ 461,000</u>	<u>\$ 56,539</u>	<u>\$ 517,539</u>

D. School Improvement Refunding Bonds - Series 2016

On November 22, 2016, the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2016) to advance refund \$8,390,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$8,310,000 and capital appreciation bonds, par value \$80,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2026 (interest rate 16.443%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$370,000. Total accreted interest of \$43,885 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2039.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$1,042,026. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 23 years by \$756,271 and resulted in a net present value economic gain of \$597,665.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 25,000	\$ 322,650	\$ 347,650
2021	25,000	322,150	347,150
2022	25,000	321,650	346,650
2023	25,000	321,150	346,150
2024	25,000	320,650	345,650
2025 - 2029	260,000	1,583,300	1,843,300
2030 - 2034	2,765,000	1,347,500	4,112,500
2035 - 2039	4,130,000	610,400	4,740,400
2040	925,000	18,500	943,500
Total	<u>\$ 8,205,000</u>	<u>\$ 5,167,950</u>	<u>\$ 13,372,950</u>

Fiscal Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025 - 2029	80,000	290,000	370,000
2030 - 2034	-	-	-
2035 - 2039	-	-	-
2040	-	-	-
Total	<u>\$ 80,000</u>	<u>\$ 290,000</u>	<u>\$ 370,000</u>

E. School Improvement Refunding Bonds - Series 2017

On February 16, 2017 the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2017) to advance refund \$4,100,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of current interest bonds, par value \$4,065,000 and capital appreciation bonds, par value \$35,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2023 (interest rate 16.933%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$11,706 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$368,998. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments by \$289,975 and resulted in a net present value economic gain of \$241,896.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2020	\$ 5,000	\$ 158,550	\$ 163,550
2021	5,000	158,450	163,450
2022	440,000	149,600	589,600
2023	460,000	131,600	591,600
2024	370,000	115,000	485,000
2025 - 2029	2,110,000	333,800	2,443,800
2030	<u>580,000</u>	<u>11,600</u>	<u>591,600</u>
Total	<u>\$ 3,970,000</u>	<u>\$ 1,058,600</u>	<u>\$ 5,028,600</u>

Fiscal Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	35,000	65,000	100,000
2025 - 2029	-	-	-
2030	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,000</u>	<u>\$ 65,000</u>	<u>\$ 100,000</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$3,503,928, including available funds of \$941,341 and an unvoted debt margin of \$173,973. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2019, the District has contracted with Argonaut Insurance Group to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 1,000,000	\$ 0
Annual aggregate	3,000,000	0
Commercial excess liability:		
Each occurrence	5,000,000	0
Annual aggregate	5,000,000	0
Crime coverage		
Theft, Disappearance, Destruction	50,000	500
Public Employee Dishonesty	100,000	1,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist & Underinsured	1,000,000	0
Comprehensive and Collision	1,000,000	500
Building and contents	38,585,711	2,500

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT – (Continued)

B. Medical and Dental Insurance

During fiscal year 2019, the District was a member of the Stark County Schools Council of Governments Health Care Benefit Program (Council), a shared risk pool (See Note 2.A.) to provide employees with medical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

C. Workers' Compensation

For fiscal year 2019, the District participated in the Ohio Schools Council Association (the "Council") Workers' Compensation Group Rating Plan (GRP), a jointly governed organization. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative cost control and actuarial services to the Council.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$169,072 for fiscal year 2019. Of this amount, \$11,316 is reported as pension and postemployment benefits payable.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The District's contractually required contribution to STRS was \$617,987 for fiscal year 2019. Of this amount, \$109,540 is reported as pension and postemployment benefits payable.

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03813690%	0.03636613%	
Proportion of the net pension liability current measurement date	<u>0.03951630%</u>	<u>0.03667677%</u>	
Change in proportionate share	<u>0.00137940%</u>	<u>0.00031064%</u>	
Proportionate share of the net pension liability	\$ 2,263,172	\$ 8,064,398	\$ 10,327,570
Pension expense	\$ 139,172	\$ 733,267	\$ 872,439

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 124,119	\$ 186,155	\$ 310,274
Changes of assumptions	51,108	1,429,163	1,480,271
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	45,198	74,816	120,014
Contributions subsequent to the measurement date	<u>169,072</u>	<u>617,987</u>	<u>787,059</u>
Total deferred outflows of resources	<u>\$ 389,497</u>	<u>\$ 2,308,121</u>	<u>\$ 2,697,618</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 52,666	\$ 52,666
Net difference between projected and actual earnings on pension plan investments	62,706	489,019	551,725
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>82,908</u>	<u>209,042</u>	<u>291,950</u>
Total deferred inflows of resources	<u>\$ 145,614</u>	<u>\$ 750,727</u>	<u>\$ 896,341</u>

\$787,059 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ 143,576	\$ 650,237	\$ 793,813
2021	24,738	401,056	425,794
2022	(74,270)	(14,679)	(88,949)
2023	<u>(19,233)</u>	<u>(97,207)</u>	<u>(116,440)</u>
Total	<u>\$ 74,811</u>	<u>\$ 939,407</u>	<u>\$ 1,014,218</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,187,848	\$ 2,263,172	\$ 1,487,893

Actuarial Assumptions - STRS

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>100.00 %</u>	

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 11,776,992	\$ 8,064,398	\$ 4,922,191

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$22,114.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$28,376 for fiscal year 2019. Of this amount, \$22,533 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.03839910%	0.03636613%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.03990380%</u>	<u>0.03667677%</u>	
Change in proportionate share	<u>0.00150470%</u>	<u>0.00031064%</u>	
Proportionate share of the net OPEB liability	\$ 1,107,039	\$ -	\$ 1,107,039
Proportionate share of the net OPEB asset	\$ -	\$ (589,358)	\$ (589,358)
OPEB expense	\$ 39,410	\$ (1,285,458)	\$ (1,246,048)

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**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 18,071	\$ 68,837	\$ 86,908
Difference between employer contributions and proportionate share of contributions/change in proportionate share	26,575	11,069	37,644
Contributions subsequent to the measurement date	28,376	-	28,376
Total deferred outflows of resources	\$ 73,022	\$ 79,906	\$ 152,928
	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 34,338	\$ 34,338
Net difference between projected and actual earnings on pension plan investments	1,661	67,329	68,990
Changes of assumptions	99,459	803,047	902,506
Difference between employer contributions and proportionate share of contributions/change in proportionate share	35,464	45,001	80,465
Total deferred inflows of resources	\$ 136,584	\$ 949,715	\$ 1,086,299

\$28,376 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (55,716)	\$ (156,808)	\$ (212,524)
2021	(42,044)	(156,808)	(198,852)
2022	1,254	(156,808)	(155,554)
2023	1,961	(141,517)	(139,556)
2024	1,846	(136,156)	(134,310)
Thereafter	761	(121,712)	(120,951)
Total	\$ (91,938)	\$ (869,809)	\$ (961,747)

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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 1,343,305	\$ 1,107,039	\$ 919,961
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 893,178	\$ 1,107,039	\$ 1,390,230

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 505,135	\$ 589,358	\$ 660,144

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 656,148	\$ 589,358	\$ 521,528

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 7,208
Net adjustment for revenue accruals	307,685
Net adjustment for expenditure accruals	(23,736)
Funds budgeted elsewhere	33,007
Adjustment for encumbrances	230,295
GAAP basis	\$ 554,459

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the final ODE adjustment for fiscal year 2019, ODE owes \$14,089 to the District. This amount is not shown on the financial statements.

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	159,975
Current year qualifying expenditures	(67,938)
Current year offsets	<u>(286,932)</u>
Total	<u>\$ (194,895)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u><u>\$ -</u></u>

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 194,832
Nonmajor governmental funds	<u>373,520</u>
 Total	 <u>\$ 568,352</u>

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Wayne County provides tax abatements through Enterprise Zones (Ezone).

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The Ezone agreements entered into by Wayne County affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by approximately \$15,782.

REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.03951630%	0.03813690%	0.04054600%	0.04144680%
District's proportionate share of the net pension liability	\$ 2,263,172	\$ 2,278,596	\$ 2,967,593	\$ 2,364,995
District's covered payroll	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079	\$ 1,247,762
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.97%	184.19%	235.51%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.04224400%	0.04224400%
\$ 2,137,945	\$ 2,512,115
\$ 1,227,511	\$ 1,163,743
174.17%	215.87%
71.70%	65.52%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.03667677%	0.03636613%	0.03754417%	0.03734956%
District's proportionate share of the net pension liability	\$ 8,064,398	\$ 8,638,852	\$ 12,567,165	\$ 10,322,326
District's covered payroll	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686	\$ 3,955,581
District's proportionate share of the net pension liability as a percentage of its covered payroll	195.15%	215.44%	317.38%	260.96%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.03698384%	0.03698384%
\$ 8,995,750	\$ 10,715,678
\$ 3,778,731	\$ 3,661,146
238.06%	292.69%
74.70%	69.30%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 169,072	\$ 171,677	\$ 173,189	\$ 176,411
Contributions in relation to the contractually required contribution	<u>(169,072)</u>	<u>(171,677)</u>	<u>(173,189)</u>	<u>(176,411)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,252,385	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 164,455	\$ 170,133	\$ 161,062	\$ 162,304	\$ 158,508	\$ 173,831
<u>(164,455)</u>	<u>(170,133)</u>	<u>(161,062)</u>	<u>(162,304)</u>	<u>(158,508)</u>	<u>(173,831)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,247,762	\$ 1,227,511	\$ 1,163,743	\$ 1,206,721	\$ 1,261,002	\$ 1,283,833
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 617,987	\$ 578,546	\$ 561,381	\$ 554,356
Contributions in relation to the contractually required contribution	<u>(617,987)</u>	<u>(578,546)</u>	<u>(561,381)</u>	<u>(554,356)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,414,193	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 553,780	\$ 491,235	\$ 475,949	\$ 497,748	\$ 515,734	\$ 523,830
<u>(553,780)</u>	<u>(491,235)</u>	<u>(475,949)</u>	<u>(497,748)</u>	<u>(515,734)</u>	<u>(523,830)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,955,571	\$ 3,778,731	\$ 3,661,146	\$ 3,828,831	\$ 3,967,185	\$ 4,029,462
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.03990380%	0.03839910%	0.04086665%
District's proportionate share of the net OPEB liability	\$ 1,107,039	\$ 1,030,531	\$ 1,164,851
District's covered payroll	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	87.05%	83.30%	92.44%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.03667677%	0.03636613%	0.03754417%
District's proportionate share of the net OPEB liability/(asset)	\$ (589,358)	\$ 1,418,872	\$ 2,007,872
District's covered payroll	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.26%	35.38%	50.71%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 28,376	\$ 27,092	\$ 19,536	\$ 19,725
Contributions in relation to the contractually required contribution	<u>(28,376)</u>	<u>(27,092)</u>	<u>(19,536)</u>	<u>(19,725)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,252,385	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079
Contributions as a percentage of covered payroll	2.27%	2.13%	1.58%	1.57%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 30,368	\$ 21,992	\$ 20,215	\$ 31,486	\$ 44,951	\$ 32,538
<u>(30,368)</u>	<u>(21,992)</u>	<u>(20,215)</u>	<u>(31,486)</u>	<u>(44,951)</u>	<u>(32,538)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,247,762	\$ 1,227,511	\$ 1,163,743	\$ 1,206,721	\$ 1,261,002	\$ 1,283,833
2.43%	1.79%	1.74%	2.61%	3.56%	2.53%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,414,193	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 37,915	\$ 36,611	\$ 38,288	\$ 39,672	\$ 40,295
<u>-</u>	<u>(37,915)</u>	<u>(36,611)</u>	<u>(38,288)</u>	<u>(39,672)</u>	<u>(40,295)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,955,571	\$ 3,778,731	\$ 3,661,146	\$ 3,828,831	\$ 3,967,185	\$ 4,029,462
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

(Continued)

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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OHIO AUDITOR OF STATE 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*

Dalton Local School District
Wayne County
177 North Mill Street
Dalton, Ohio 44618

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dalton Local School District, Wayne 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 and have issued our report thereon dated February 8, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

February 8, 2021

OHIO AUDITOR OF STATE KEITH FABER



DALTON LOCAL SCHOOL DISTRICT

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/18/2021

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

This report is a matter of public record and is available online at
www.ohioauditor.gov