# Talawanda City School District

## Basic Financial Statements

## June 30, 2019

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Education
Talawanda City School District
131 West Chestnut Street
Oxford, Ohio 45056

We have reviewed the *Independent Auditor's Report* of the Talawanda City School District, Butler County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Talawanda City School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 10, 2020

This page intentionally left blank.

# INDEPENDENT AUDITOR'S REPORT

Board of Education
Talawanda City School District

## 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 Talawanda City School District (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.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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, for the year then ended in accordance with accounting principles generally accepted in the United States of America.


8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 18, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
## Year Ended June 30, 2019

This discussion and analysis provides key information from management highlighting the overall financial performance of the Talawanda School District for the year ended June 30, 2019. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

## Financial Highlights

Major financial highlights for fiscal year 2019 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by $22,534,829.

- ✓ In total, net position increased by $7,798,037.

- ✓ The School District had $40,009,540 in expenses related to governmental activities; only $4,123,779 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of $43,683,798 made up primarily of property and income taxes as well as State Foundation payments, was used to provide for these programs.

- ✓ The General Fund's ending fund balance decreased by $820,533 from $25,837,934 at June 30, 2018 to $25,017,401 at June 30, 2019.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The School District has no business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual governmental funds. The most significant funds, known as major funds, are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. The School District has three major funds: the General Fund, the Debt Service Fund, and the Ohio Facilities Construction Commission Project Fund. Data for the other governmental funds is combined into a single aggregated presentation.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

**Notes to the basic financial statements.** The notes provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget for the General Fund and required pension and other postemployment benefit information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2019 and 2018:

**Governmental Activities**

| | FY19 | FY18 |
|---|---|---|
| Current and other assets | $ 74,086,979 | $ 68,772,183 |
| Capital assets | 64,912,510 | 66,411,880 |
| Total assets | 138,999,489 | 135,184,063 |
| Deferred outflows of resources | 11,420,698 | 13,297,755 |
| Long-term liabilities: | | |
| Net pension liability | 39,430,343 | 41,772,229 |
| Net OPEB liability | 3,935,381 | 9,326,414 |
| Other long-term amounts | 51,528,155 | 54,045,005 |
| Other liabilities | 6,388,349 | 6,189,401 |
| Total liabilities | 101,282,228 | 111,333,049 |
| Deferred inflows of resources | 26,603,130 | 22,411,977 |
| Net position: | | |
| Net investment in capital assets | 24,545,444 | 23,449,224 |
| Restricted: | | |
| For capital projects | 7,044,145 | 3,583,105 |
| For debt service | 1,956,575 | 2,433,942 |
| For other purposes | 2,510,440 | 2,160,127 |
| Unrestricted (deficit) | (13,521,775) | (16,889,606) |
| Total net position | $ 22,534,829 | $ 14,736,792 |

The net pension liability is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27.* Another significant liability for the School District is net other postemployment benefits (OPEB) liability, reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 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 Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability and the net OPEB liability equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension and 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. 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 health care 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 systems are 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 or net OPEB liabilities. 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 and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

The largest portion of the School District's positive net position is in net investment in capital assets. The School District uses these capital assets to provide educational services to its students. Accordingly, these assets are not available for future spending. An additional portion of the School District's net position ($11,511,160) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position (deficit) at June 30, 2019 was ($13,521,775). However, if the components of recording the net pension and OPEB liabilities and net OPEB asset are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive $22,973,094. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities and net OPEB asset that significantly impact the School District's financial statements.

At June 30, 2019, the School District experienced an increase in its total assets of approximately $3.8 million, or 3%. In January 2018, the School District issued $8 million in Series 2018 certificates of participation (COPs) to finance the local portion of the construction of a new Marshall Elementary building under the State's Ohio Classroom Facilities Assistance Program, administered by the Ohio Facilities Construction Commission (OFCC). OFCC's portion of the project is $3.4 million and was recognized as a receivable during the fiscal year. Additionally, the School District recognized a net OPEB asset of $2.3 million associated with the State Teacher Retirement System (STRS), as discussed below. These increases were partially offset, by a decrease in cash and investments, as work started on the Marshall Elementary project during the fiscal year and began incurring architect expenses. Capital assets decreased during the year due to recognition of depreciation expense.

Total liabilities, excluding net pension and OPEB liabilities, decreased approximately $2.3 million, or 4%, primarily due to the payment of the required debt service payments on outstanding long-term debt.

The decrease in net pension liability is due to changes in assumptions used to estimate the state-wide pension liability and better than projected investment earnings, which also led to the increase in deferred inflows for resources. The decrease in net OPEB liability is also due to changes in assumptions, which for STRS, led to the elimination of the net OPEB liability and created a net OPEB asset.

### B. Governmental Activities during fiscal year 2019

The following table presents a condensed summary of the School District's activities during fiscal year 2019 and 2018 and the resulting change in net position:

| | FY19 | FY18 |
|---|---|---|
| **Revenues:** | | |
| Program revenues: | | |
| Charges for services and sales | $ 2,275,127 | $ 2,561,768 |
| Operating grants and contributions | 1,848,652 | 1,779,656 |
| Total program revenues | 4,123,779 | 4,341,424 |
| General revenues: | | |
| Taxes | 27,287,144 | 26,885,020 |
| Grants and entitlements | 14,353,498 | 10,935,295 |
| Investment earnings | 1,290,109 | 275,384 |
| Miscellaneous | 753,047 | 713,903 |
| Total general revenues | 43,683,798 | 38,809,602 |
| **Total revenues** | 47,807,577 | 43,151,026 |
| **Expenses:** | | |
| Instruction | 22,101,686 | 10,455,218 |
| Support services | 13,146,585 | 9,829,726 |
| Non-instructional services | 1,065,080 | 667,697 |
| Interest on long-term debt | 2,538,195 | 2,767,430 |
| Food services | 1,157,994 | 1,151,693 |
| **Total expenses** | 40,009,540 | 24,871,764 |
| Change in net position | 7,798,037 | 18,279,262 |
| Net position beginning of year | 14,736,792 | (3,542,470) |
| **Net position end of year** | $ 22,534,829 | $ 14,736,792 |

Of the total governmental activities revenue of $47,807,577, $4,123,779 is from program revenue. This means that the School District relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, $27,287,144 (62%) comes from property and income taxes and $14,353,498 (33%) is from state funding. The School District's operations are reliant upon its property tax levy, income taxes and the state's foundation program.

In total, revenues increased by approximately $4.7 million, or 11%. The majority of this increase occurred in grants and entitlements, as the School District recognized OFCC's share of funding of $3.4 million towards the Marshall Elementary project during the fiscal year. Additionally, the School District experienced increases in tax revenue, due to increased assessed tax valuations, and better investment earnings, due to investment of the Marshall project funds.

Total expenses increased $15.1 million, or 61%. Approximately $13.3 million of this increase is related to changes in pension and OPEB expenses; recognizing $13.2 million in negative pension expenses during fiscal year 2018 compared to $3.4 million in pension expenses during fiscal year 2019, and recognizing a $3.4 million increase in *negative* OPEB expense. A majority of this is due to changes in actuarial assumptions in the STRS pension and OPEB plans, as previously discussed. The remaining increase was due to cost-of-living and step salary increases and other general inflationary cost increases.

***Governmental Activities***

The following table presents the total cost of each of the School District's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were $22,101,686 but program revenue contributed to fund 12% of those costs. Thus, general revenues of $19,483,758 were used to support the remainder of the instruction costs.

**Governmental Activities**

| | Total Cost of Services | Program Revenue | Revenues as a % of Total Costs | Net Cost of Services |
|---|---|---|---|---|
| Instruction | $ 22,101,686 | $ 2,617,928 | 12% | $ 19,483,758 |
| Support services | 13,146,585 | 221,257 | 2% | 12,925,328 |
| Non-instructional services | 1,065,080 | 151,662 | 14% | 913,418 |
| Food service | 1,157,994 | 1,132,932 | 98% | 25,062 |
| Interest on long-term debt | 2,538,195 | - | 0% | 2,538,195 |
| **Total** | $ 40,009,540 | $ 4,123,779 | 10% | $ 35,885,761 |

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

### Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Ohio Facilities Construction Commission (OFCC) Project Fund. Assets of these funds comprise $63,577,308 (89%) of the total $71,790,357 governmental funds' assets.

***General Fund.*** Fund balance at June 30, 2019 was $25,017,401, including $21,677,826 of unassigned balance, which represents 59% of expenditures for fiscal year 2019. Overall, the General Fund experienced a decrease of 3%, due to cost-of-living and step salary increases and other general inflationary cost increases.

***Debt Service Fund.*** The Debt Service Fund had a fund balance at June 30, 2019 of $2,681,778, a decrease of $335,199 from the prior fiscal year. The Debt Service Fund is used to accumulate resources to retire the School District's general obligation bonds. All required bond payments were made as scheduled during the current fiscal year.

***OFCC Project Fund.*** The OFCC Fund accounts for both local and state resources for the construction and renovation of school facilities. Project activity wrapped up on the Kramer Elementary during the fiscal year. Additionally, the Fund is being used to account for the new Marshall Elementary building project. This project has a budgeted cost of $14.1 million, with OFCC providing $3.4 million. Project activity during the fiscal year consisted primarily of architect fees.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. The original and final budgets and actual revenue were all within 1% or less. The final expenditures budget was increased by 1% from the original budget to account for increased special education costs. Actual expenditures came in less than budgeted by $176,383, or less than 1%, due to budgeted contingency funds not being required.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** At June 30, 2019, the School District had $64,912,510 invested in a broad range of capital assets, including land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. See Note 5 to the financial statements for more detail.

**Governmental Activities**
**Capital Assets at Year-End**
**(Net of Depreciation)**

| | FY19 | FY18 |
|---|---|---|
| Land | $ 2,473,497 | $ 2,473,497 |
| Construction in progress | 468,443 | 2,633,022 |
| Land improvements | 204,006 | 215,142 |
| Buildings and improvements | 60,987,773 | 60,054,665 |
| Furniture and equipment | 723,378 | 972,660 |
| Vehicles | 55,413 | 62,894 |
| Total | $ 64,912,510 | $ 66,411,880 |

**Debt.** As of June 30, 2019, the School District had $45,700,000 outstanding in general obligation school improvement bonds and certificates of participation after making $2,610,000 in principal payments during the fiscal year. See Note 10 to the financial statements.

## ECONOMIC FACTORS

In November 2004, the School District passed a 1% School District Income Tax that has generated over $6 million annually, reaching $7.5 million in fiscal year 2019. The School District continues working hard to maintain a positive general fund cash balance through the 2024 school year, despite general fund operating deficit that began in fiscal year 2019.

The School District began taking certain cost reduction measures beginning in fiscal year 2008 that continued through fiscal year 2019. These measures include attrition, increased class sizes and plan design changes for the School District's medical/dental plan consortium (called Butler Health Plan). Also, Butler Health Plan has experienced below market funding/loss ratios which has allowed their Board of Trustees to hold 2019 premiums flat to the prior year.

In November 2008, the School District passed a 4.7 mill general obligation bond Issue to build a new high school. The cost of this new 190,000 square foot facility totaled approximately $46 million. The project cost included site acquisition of a 154-acre parcel of land just south of the Oxford City limits on Route 27. The City annexed this land and is providing city services (including water and sewer) to the School District's new building. The building was certified for occupation in July 2012 and was about $750,000 under budget. The School District just began its 7$^{th}$ year in the high school facility.

In December 2013, the Board of Education and the Ohio Facilities Construction Commission (OFCC) executed an agreement to construct a new 70,000 square foot elementary school in Oxford, OH. This new elementary replaced the School District's existing Kramer Elementary (at the same site). The cost of the new Kramer Elementary was $17.1 million and the State paid $11.5 million (or 67%) of this cost based on credits the School District previously earned through the State's Expedited Local Partnership Program. The balance was funded by the School District with $3.82 million in Certificates of Participation (COPs), issued in August 2014; proceeds from disposition of its old high school site to Miami University; and additional locally funded initiatives for $709,000, approved by the Board of Education in July 2015.

The debt service for the Kramer COPs will paid from the School District's existing and ongoing permanent improvement fund and not the general fund nor a bond issue.

The new Kramer building (called Phase I) was completed on-time in December 2016 and the students, faculty and staff took occupancy of the new facility in January 2017 after the holiday break. Phase II of the project (consisting mostly of a new parking lot and certain other site work) continued through fiscal year 2018. The project is currently in the close-out process with OFCC.

In September 2017, the Board of Education unanimously approved a resolution to participate in a Segment-Two as part of OFCC's Construction Facilities Assistance Program. This segment will replace the School District's Marshall Elementary with a new a facility at the existing site. This would be a 47,666 square foot project with a state and local share of $3.4 million and $7.5 million, respectively. Similar to Kramer, the School District's local share for the Marshall project will be funded internally using $8 million in COPs that were issued in January 2018.

The Commission unanimously approved the Marshall project at its meeting on October 26, 2017. The official funding request was approved by the Ohio's Controlling Board on December 4, 2017. The official Project Agreement between the Commission and the School District's Board was fully executed on July 13, 2018. The project is currently at the pre-GMP phase and awaiting the results of the contractor bids, which are expected in early December 2019. The Marshall project is currently expected to break ground in March 2020, with a scheduled completion in August 2021.

## REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Talawanda School District, 131 West Chestnut Street, Oxford, Ohio 45056.

## TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Net Position
June 30, 2019

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Equity in pooled cash and investments | $ 43,933,498 |
| Receivables: | |
| Taxes | 24,000,135 |
| Accounts | 14,075 |
| Intergovernmental | 3,439,437 |
| Supplies inventory | 12,927 |
| Prepaid items | 49,854 |
| Restricted assets | 340,431 |
| Net OPEB asset | 2,296,622 |
| Nondepreciable capital assets | 2,941,940 |
| Depreciable capital assets, net | 61,970,570 |
| **Total assets** | 138,999,489 |
| | |
| **Deferred Outflows of Resources:** | |
| Pension | 10,829,940 |
| OPEB | 590,758 |
| **Total deferred outflows of resources** | 11,420,698 |
| | |
| **Liabilities:** | |
| Accounts payable | 175,045 |
| Accrued wages and benefits | 3,599,198 |
| Intergovernmental payable | 505,258 |
| Accrued interest payable | 197,204 |
| Unearned revenue | 1,911,644 |
| Noncurrent liabilities: | |
| Due within one year | 2,690,830 |
| Due more than one year: | |
| Net pension liability | 39,430,343 |
| Net OPEB liability | 3,935,381 |
| Other amounts due more than one year | 48,837,325 |
| **Total liabilities** | 101,282,228 |
| | |
| **Deferred Inflows of Resources:** | |
| Taxes levied for next fiscal year | 19,756,665 |
| Pension | 2,874,118 |
| OPEB | 3,972,347 |
| **Total deferred inflows of resources** | 26,603,130 |
| | |
| **Net Position:** | |
| Net investment in capital assets | 24,545,444 |
| Restricted for: | |
| Capital projects | 7,044,145 |
| Debt service | 1,956,575 |
| Other purposes | 2,510,440 |
| Unrestricted (deficit) | (13,521,775) |
| | |
| **Total net position** | $ 22,534,829 |

See accompanying notes to the basic financial statements.

## TALAWANDA SCHOOL DISTRICT, OHIO
Statement of Activities
Year Ended June 30, 2019

| | Expenses | Program Revenues: Charges for Services and Sales | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Instruction: | | | | |
| Regular | $ 16,597,582 | $ 1,646,845 | $ 21,798 | $ (14,928,939) |
| Special education | 4,089,877 | - | 949,285 | (3,140,592) |
| Other instruction | 1,414,227 | - | - | (1,414,227) |
| Support services: | | | | |
| Pupil | 2,394,534 | - | 41,664 | (2,352,870) |
| Instructional staff | 1,122,881 | - | 114,369 | (1,008,512) |
| Board of Education | 87,188 | - | - | (87,188) |
| Administration | 1,986,216 | - | 75 | (1,986,141) |
| Fiscal | 1,331,585 | - | 248 | (1,331,337) |
| Business | 11,974 | - | - | (11,974) |
| Operation and maintenance of plant | 3,220,866 | - | 55,800 | (3,165,066) |
| Pupil transportation | 2,747,109 | - | 9,101 | (2,738,008) |
| Central | 244,232 | - | - | (244,232) |
| Non-instructional services: | | | | |
| Extracurricular activities | 940,593 | 99,432 | - | (841,161) |
| Community service | 124,487 | - | 52,230 | (72,257) |
| Food service | 1,157,994 | 528,850 | 604,082 | (25,062) |
| Interest on long-term debt | 2,538,195 | - | - | (2,538,195) |
| Total Governmental Activities | $ 40,009,540 | $ 2,275,127 | $ 1,848,652 | (35,885,761) |

| **General Revenues:** | |
|---|---|
| Property taxes, levied for general purposes | 15,418,077 |
| Property taxes, levied for debt service | 3,069,579 |
| Property taxes, levied for capital projects | 1,327,203 |
| Income taxes | 7,472,285 |
| Grants and entitlements not restricted to specific programs | 10,973,329 |
| Grants provided for permanent improvement projects | 3,380,169 |
| Investment earnings | 1,290,109 |
| Miscellaneous | 753,047 |
| Total general revenues | 43,683,798 |
| Change in net position | 7,798,037 |
| Net position beginning of year | 14,736,792 |
| Net position end of year | $ 22,534,829 |

See accompanying notes to the basic financial statements.

**TALAWANDA SCHOOL DISTRICT, OHIO**
Balance Sheet
Governmental Funds
June 30, 2019

| | General | Debt Service Fund | OFCC Project Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Equity in pooled cash and investments | $ 25,339,314 | $ 2,592,864 | $ 9,372,375 | $ 6,628,945 | $ 43,933,498 |
| Restricted cash | 340,431 | - | - | - | 340,431 |
| Receivables: | | | | | |
| Taxes | 18,996,563 | 3,646,481 | - | 1,357,091 | 24,000,135 |
| Accounts | 14,075 | - | - | - | 14,075 |
| Intergovernmental | 49,971 | - | 3,176,399 | 213,067 | 3,439,437 |
| Prepaid items | 48,835 | - | - | 1,019 | 49,854 |
| Supplies inventory | - | - | - | 12,927 | 12,927 |
| **Total assets** | $ 44,789,189 | $ 6,239,345 | $ 12,548,774 | $ 8,213,049 | $ 71,790,357 |
| **Liabilities:** | | | | | |
| Accounts payable | $ 24,418 | $ - | $ 100,848 | $ 49,779 | $ 175,045 |
| Accrued wages and benefits | 3,361,776 | - | - | 237,422 | 3,599,198 |
| Intergovernmental payable | 490,059 | - | - | 15,199 | 505,258 |
| Unearned revenue | - | - | 1,911,644 | - | 1,911,644 |
| Compensated absences payable | 3,810 | - | - | - | 3,810 |
| **Total liabilities** | 3,880,063 | - | 2,012,492 | 302,400 | 6,194,955 |
| **Deferred Inflows of Resources:** | | | | | |
| Taxes levied for next fiscal year | 14,974,986 | 3,487,986 | - | 1,293,693 | 19,756,665 |
| Unavailable revenue | 916,739 | 69,581 | 3,154,213 | 240,899 | 4,381,432 |
| **Total deferred inflows of resources** | 15,891,725 | 3,557,567 | 3,154,213 | 1,534,592 | 24,138,097 |
| **Fund Balances:** | | | | | |
| Nonspendable | 48,835 | - | - | 13,946 | 62,781 |
| Restricted | - | 2,681,778 | 7,382,069 | 6,507,801 | 16,571,648 |
| Assigned | 3,290,740 | - | - | - | 3,290,740 |
| Unassigned | 21,677,826 | - | - | (145,690) | 21,532,136 |
| **Total fund balances** | 25,017,401 | 2,681,778 | 7,382,069 | 6,376,057 | 41,457,305 |
| **Total liabilities, deferred inflows of resources and fund balances** | $ 44,789,189 | $ 6,239,345 | $ 12,548,774 | $ 8,213,049 | $ 71,790,357 |

See accompanying notes to the basic financial statements.

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

| | | |
|---|---|---|
| **Total Governmental Fund Balances** | | $ 41,457,305 |
| *Amounts reported for governmental activities in the statement of net position are different because:* | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 64,912,510 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds. | | 4,381,432 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| GO bonds and COPS | 45,700,000 | |
| Unamortized premiums | 1,175,409 | |
| Bond interest accretion | 597,580 | |
| Compensated absences | 2,815,356 | |
| Lease-purchase agreement | 1,236,000 | |
| Accrued interest payable | 197,204 | |
| Total | | (51,721,549) |
| The net pension and OPEB liabilities are not due and payable in the current period. The net OPEB asset is not available to pay current period expenditures. Therefore, the asset, liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds: | | |
| Deferred outflows - pensions | 10,829,940 | |
| Deferred inflows - pensions | (2,874,118) | |
| Net pension liability | (39,430,343) | |
| Deferred outflows - OPEB | 590,758 | |
| Deferred inflows - OPEB | (3,972,347) | |
| Net OPEB asset | 2,296,622 | |
| Net OPEB liability | (3,935,381) | |
| Total | | (36,494,869) |
| **Net Position of Governmental Activities** | | $ 22,534,829 |

See accompanying notes to the basic financial statements.

## TALAWANDA SCHOOL DISTRICT, OHIO

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

| | General | Debt Service Fund | OFCC Project Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Taxes | $ 22,849,883 | $ 3,074,147 | $ - | $ 1,336,446 | $ 27,260,476 |
| Tuition and fees | 1,421,873 | - | - | - | 1,421,873 |
| Interest | 1,114,798 | - | 161,433 | 13,893 | 1,290,124 |
| Charges for services | - | - | - | 528,850 | 528,850 |
| Intergovernmental | 9,876,842 | 943,565 | 225,956 | 1,932,213 | 12,978,576 |
| Other local revenues | 711,894 | - | 4,301 | 361,621 | 1,077,816 |
| **Total revenues** | 35,975,290 | 4,017,712 | 391,690 | 4,173,023 | 44,557,715 |
| **Expenditures:** | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 17,326,184 | - | - | 86,124 | 17,412,308 |
| Special education | 3,710,692 | - | - | 949,856 | 4,660,548 |
| Other instruction | 1,524,592 | - | - | 4,507 | 1,529,099 |
| Support services: | | | | | |
| Pupil | 2,593,880 | - | - | 117,353 | 2,711,233 |
| Instructional staff | 1,088,466 | - | - | 115,428 | 1,203,894 |
| Board of Education | 87,188 | - | - | - | 87,188 |
| Administration | 2,271,277 | - | - | 75 | 2,271,352 |
| Fiscal | 1,277,443 | 43,936 | - | 18,924 | 1,340,303 |
| Business | 11,974 | - | - | - | 11,974 |
| Operation and maintenance of plant | 3,027,511 | - | - | 90,958 | 3,118,469 |
| Pupil transportation | 2,741,246 | - | - | 2,518 | 2,743,764 |
| Central | 275,734 | - | - | - | 275,734 |
| Non-instructional services: | | | | | |
| Extracurricular activities | 808,720 | - | - | 117,252 | 925,972 |
| Community service | 50,916 | - | - | 67,873 | 118,789 |
| Food service | - | - | - | 1,159,537 | 1,159,537 |
| Capital outlay | - | - | 457,301 | 99,188 | 556,489 |
| Debt Service: | | | | | |
| Principal | - | 2,280,000 | - | 474,000 | 2,754,000 |
| Interest and fiscal charges | - | 2,028,975 | - | 468,555 | 2,497,530 |
| **Total expenditures** | 36,795,823 | 4,352,911 | 457,301 | 3,772,148 | 45,378,183 |
| Net change in fund balance | (820,533) | (335,199) | (65,611) | 400,875 | (820,468) |
| Fund balance, beginning of year | 25,837,934 | 3,016,977 | 7,447,680 | 5,975,182 | 42,277,773 |
| Fund balance, end of year | $ 25,017,401 | $ 2,681,778 | $ 7,382,069 | $ 6,376,057 | $ 41,457,305 |

See accompanying notes to the basic financial statements.

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

| | |
|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | $ (820,468) |
| *Amounts reported for governmental activities in the statement of activities are different because:* | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense: | |
| Capital asset additions | 902,130 |
| Depreciation expense | (2,401,135) |
| In the statement of activities, only the gain or loss on the sale of capital assets is reported, while only proceeds from the sale of assets are reported in the funds. | (365) |
| Principal paid on long-term debt is recorded as an expenditure in the governmental funds, but is recorded as a reduction of the long-term liability on the statement net position. | 2,754,000 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. | (14,160) |
| Accretion on capital appreciation bonds is recorded each year as interest expense in the statement of activities, whereas in the governmental funds, an interest expenditure is recorded when due. | (123,440) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: | |
| Compensated absences | (206,835) |
| Amortization of premiums | 96,935 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 3,193,140 |
| Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of activities report these amounts as deferred outflows: | |
| Pension | 2,955,699 |
| OPEB | 106,095 |
| Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension and OPEB asset and liabilities are reported as pension and negative OPEB expenses in the statement of activities: | |
| Pension | (3,488,144) |
| OPEB | 4,844,585 |
| **Change in Net Position of Governmental Activities** | $ 7,798,037 |

See accompanying notes to the basic financial statements.

# TALAWANDA SCHOOL DISTRICT, OHIO
Statement of Net Position
Fiduciary Funds
June 30, 2019

| | Private-Purpose Trusts | Agency Funds |
|---|---|---|
| **Assets:** | | |
| Equity in pooled cash and investments | $ 16,115 | $ 153,663 |
| Total assets | 16,115 | 153,663 |
| **Liabilities:** | | |
| Due to student groups | - | 126,528 |
| Due to others | - | 27,135 |
| Total liabilities | - | $ 153,663 |
| **Net Position:** | | |
| Held in trust | $ 16,115 | |

See accompanying notes to the basic financial statements.

## TALAWANDA SCHOOL DISTRICT, OHIO

Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2019

| | Private-Purpose Trusts |
|---|---|
| **Additions:** | |
| Contributions | $ - |
| **Deductions:** | |
| Community gifts, awards and scholarships | 3,767 |
| Change in net position | (3,767) |
| Net position, beginning of year | 19,882 |
| Net position, end of year | $ 16,115 |

See accompanying notes to the basic financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Talawanda School District, Ohio (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### A. Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with five organizations, two of which are defined as jointly governed organizations and three as insurance purchasing pools. These organizations include Southwestern Ohio Computer Association, Butler Technology and Career Development Schools, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Butler Health Plan. These organizations are presented in Notes 13 and 14.

### B. Basis of Presentation

***Government-wide Financial Statements*** display information about the School District as a whole. The statement of net position and the statement of activities include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

### C. Fund Accounting

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

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

> ***General Fund*** – The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Debt Service Fund*** – The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.
>
> ***OFCC Project Fund –*** The Ohio Facilities Construction Commission (OFCC) Project fund accounts for the accumulation of local and State resources for the construction of new facilities and improvement of existing buildings.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued***

***Fiduciary Funds*** report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District’s private-purpose trust funds account for scholarship programs for students. These assets are not available for the School District’s use. Agency funds, used for student activities and unclaimed monies, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, income taxes, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Revenues - Exchange and Non-exchange transactions.*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

***Deferred Inflows of Resources.*** In addition to liabilities, the statements of financial position 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(s) and so will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes represent amounts that are measurable as of June 30, 2019, but are intended to finance 2020 operations. These amounts have been recorded as deferred inflows 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 fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end). Deferred inflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 7 and 8).

***Deferred Outflows of Resources.*** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources from pension and OPEB are reported on the government-wide statement of net position (see Notes 7 and 8).

### E. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During fiscal year 2019, the School District's investments were limited to U.S. money market funds, U.S. Agency securities, negotiable certificates of deposit, commercial paper and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at the net asset value per share provided by STAR Ohio on an amortized cost basis at June 30, 2019, which 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.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), "*Fair Value Measurement and Application*", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2019 at fair value.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those other funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balance.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

### F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements.

### G. Inventory

Inventories of governmental funds are stated at cost, determined on a first-in, first-out basis and recorded as expenditures in the governmental funds when consumed.

### H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than $1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

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

| | |
|---|---|
| Buildings | 30-50 years |
| Land improvements | 10-20 years |
| Building improvements | 10-40 years |
| Equipment and furniture | 5-20 years |
| Vehicles | 5-10 years |

### I. Compensated Absences

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

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and/or retirements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

### J. 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 fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

### K. Pension and OPEB

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

### L. Fund Balances

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

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

***Assigned*** – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

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

### M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization set-aside.

### N. Unearned Revenue

Unearned revenue represents amounts received prior to being earned. For the School District, unearned revenue was reported for State project funds received in excess of project expenditures/expenses.

### O. Net Position

Net position represents the sum of assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

### P. Estimates

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

## 2. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two-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 that 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 pass book accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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, or by the Ohio Pooled Collateral System, to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five 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 rating classifications by at least two nationally recognized rating agencies.

## 2. DEPOSITS AND INVESTMENTS—*continued*

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 “Deposit and Investment Risk Disclosures”:

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, $6,879,197 of the School District’s bank balance of $7,129,197 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name.

Investments

The School District’s investments at June 30, 2019 are summarized as follows:

| | Balance at 6/30/19 | Average Maturity (Years) | Concentration of Credit Risk |
|---|---|---|---|
| STAR Ohio | $ 197,001 | n/a | 0.52% |
| U.S. Money Market Funds | 9,701 | n/a | 0.02% |
| FFCB | 1,620,072 | 3.09 | 4.26% |
| FHLB | 3,205,482 | 1.00 | 8.43% |
| FNMA | 8,198,479 | 1.14 | 21.56% |
| FHLMC | 2,016,617 | 3.11 | 5.30% |
| U.S. Treasuries | 3,383,522 | 0.38 | 8.90% |
| Negotiable CD's | 6,980,403 | 1.60 | 18.36% |
| Commercial Paper | 12,415,250 | 0.40 | 32.65% |
| | $ 38,026,525 | | 100.00% |

## 2. DEPOSITS AND INVESTMENTS—*continued*

*Credit Risk.* It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in U.S. agency obligations were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in commercial paper were rated P-1 by Moody's and A-1 and higher by Standard & Poor's. Investments in STAR Ohio were rated AAAm by Standard & Poor's.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

*Interest Rate Risk.* In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

*Fair Value Measurement.* The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District has the following recurring fair value measurements as of June 30, 2019:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| Investments by Fair Value Level | Balance at 6/30/19 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Negotiable CDs | $ 6,980,403 | $ - | $ 6,980,403 | $ - |
| U.S. Agency Obligations | 15,040,649 | - | 15,040,649 | - |
| Commercial Paper | 12,415,250 | - | 12,415,250 | - |
| U.S. Treasuries | 3,383,522 | 3,383,522 | - | - |
| STAR Ohio (net asset value) | 197,001 | n/a | n/a | n/a |
| U.S. Money Markets (amortized cost) | 9,701 | n/a | n/a | n/a |
| Total Investments by Fair Value Level | $ 38,026,525 | $ 3,383,522 | $ 34,436,302 | $ - |

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers.

## 3. PROPERTY TAXES

Property taxes are levied and assessed on a calendar-year basis. Distributions from the second half of the calendar year occur in a subsequent fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real and public property located in the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised value.

## 3. PROPERTY TAXES—*continued*

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35% of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attach as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2019. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amounts available as advances at June 30, 2019, were $386,956 in the General Fund, $88,914 in the Debt Service Fund, and $35,566 in the Other Governmental Funds.

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

| | | 2018 Second-Half Collections | | 2019 First-Half Collections | |
|---|---|---|---|---|---|
| | | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | $ | 689,929,890 | 93.36% | 693,829,580 | 93.00% |
| Public Utility Property | | 49,061,210 | 6.64% | 52,230,720 | 7.00% |
| Total Assessed Value | $ | 738,991,100 | 100.00% | 746,060,300 | 100.00% |
| Tax rate per $1,000 of assessed valuation | | $54.30 | | $55.30 | |

## 4. INCOME TAXES

In November 2004, the voters of the School District passed a 1% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ended June 30, 2019, the School District recorded income tax revenue of $7,472,285 in the entity-wide financials and a receivable as of June 30, 2019 of $3,208,581.

## 5. CAPITAL ASSETS

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

| | Balance 7/1/18 | Additions | Disposals | Balance 6/30/19 |
|---|---|---|---|---|
| ***Governmental Activities*** | | | | |
| **Nondepreciable:** | | | | |
| Land | $ 2,473,497 | $ - | $ - | $ 2,473,497 |
| Construction in progress | 2,633,022 | 486,273 | (2,650,852) | 468,443 |
| | 5,106,519 | 486,273 | (2,650,852) | 2,941,940 |
| **Depreciable:** | | | | |
| Land improvements | 1,856,499 | - | - | 1,856,499 |
| Buildings and improvements | 83,013,115 | 2,650,852 | - | 85,663,967 |
| Vehicles | 554,620 | - | - | 554,620 |
| Equipment and furniture | 10,888,892 | 415,857 | (36,434) | 11,268,315 |
| Educational media | 1,253,844 | - | - | 1,253,844 |
| Subtotal | 97,566,970 | 3,066,709 | (36,434) | 100,597,245 |
| Totals at historical cost | 102,673,489 | 3,552,982 | (2,687,286) | 103,539,185 |
| Less accumulated depreciation: | | | | |
| Land improvements | 1,641,357 | 11,136 | - | 1,652,493 |
| Buildings and improvements | 22,958,450 | 1,717,744 | - | 24,676,194 |
| Vehicles | 491,726 | 7,481 | - | 499,207 |
| Equipment and furniture | 9,916,232 | 664,774 | (36,069) | 10,544,937 |
| Educational media | 1,253,844 | - | - | 1,253,844 |
| Total accumulated depreciation | 36,261,609 | 2,401,135 | (36,069) | 38,626,675 |
| Capital assets, net | $ 66,411,880 | $ 1,151,847 | $ (2,651,217) | $ 64,912,510 |

## 5. CAPITAL ASSETS—*continued*

Depreciation expense was charged to governmental functions as follows:

| | | |
|---|---|---|
| Instruction: | | |
| Regular | $ | 2,075,254 |
| Special education | | 15,552 |
| Support services: | | |
| Pupil | | 61,422 |
| Instructional staff | | 7,373 |
| Administration | | 6,078 |
| Fiscal | | 7,117 |
| Operation and maintenance of plant | | 104,165 |
| Pupil transportation | | 3,345 |
| Community service | | 13,406 |
| Extracurricular activities | | 95,347 |
| Food service | | 12,076 |
| Total depreciation expense | $ | 2,401,135 |

## 6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District participated in the Ohio School Plan, a risk sharing pool (Note 14) for liability, property, auto, and crime insurance to address these various types of risk. Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in the coverage from last year.

## 7. PENSION PLANS

### *Net Pension Liability*

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

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

## 7. PENSION PLANS—*continued*

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

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

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

### *Plan Description - School Employees Retirement System (SERS)*

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

Age and service requirements for retirement are as follows:

| Benefits | Eligible to Retire on or before August 1, 2017* | Eligible to Retire on or after August 1, 2017 |
|---|---|---|
| Full Benefits | Any age with 30 years of service credit<br>Age 65 with 5 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30, or $86 multiplied by the years of service. Final average salary is the average of the highest three years of salary.

## 7. PENSION PLANS—*continued*

Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. The Board, under HB 49, enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Funding Policy –*** Plan members are required to contribute 10% of their annual covered salary and the School 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 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $482,162 for fiscal year 2019.

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

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

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 5 years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account.  Investment allocation decisions are determined by the member. The remaining 4.5% 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.

## 7. PENSION PLANS—*continued*

The Combined Plan offers features of both the DB Plan and the DC Plan, with 12% of the 14% member contribution rate deposited into the member's defined contribution account and the remaining amount applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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 that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's contractually required contribution to STRS was $2,473,537 for fiscal year 2019. Of this amount, $417,024 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions***

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability | $ 8,004,868 | $ 31,425,475 | $ 39,430,343 |
| Proportion of the Net Pension Liability | 0.1398% | 0.1429% | |
| Change in Proportion | -0.0018% | 0.0027% | |
| Pension Expense | $ 342,115 | $ 3,146,029 | $ 3,488,144 |

## 7. PENSION PLANS—*continued*

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $ 439,016 | $ 725,395 | $ 1,164,411 |
| Change in assumptions | 180,767 | 5,569,188 | 5,749,955 |
| Change in School District's proportionate share and difference in employer contributions | - | 959,875 | 959,875 |
| School District's contributions subsequent to the measurement date | 482,162 | 2,473,537 | 2,955,699 |
| Total Deferred Outflows of Resources | $ 1,101,945 | $ 9,727,995 | $ 10,829,940 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $ - | $ 205,227 | $ 205,227 |
| Net difference between projected and actual earnings on pension plan investments | 221,790 | 1,905,605 | 2,127,395 |
| Change in School District's proportionate share and difference in employer contributions | 454,244 | 87,252 | 541,496 |
| Total Deferred Inflows of Resources | $ 676,034 | $ 2,198,084 | $ 2,874,118 |

$2,955,699 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2020 | $ 302,550 | $ 2,883,184 | $ 3,185,734 |
| 2021 | (28,082) | 2,087,320 | 2,059,238 |
| 2022 | (262,698) | 380,823 | 118,125 |
| 2023 | (68,021) | (294,953) | (362,974) |
| | $ (56,251) | $ 5,056,374 | $ 5,000,123 |

## 7. 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 consider the employee's entire career with the employer and 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:

| | |
|---|---|
| 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 retirement |
| Investment Rate of Return | 7.50% net of investment expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

## 7. PENSION PLANS—*continued*

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

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

***Discount Rate –*** Total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $11,275,460 | $8,004,868 | $5,262,695 |

## 7. PENSION PLANS—*continued*

### Actuarial Assumptions - STRS

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

| | |
|---|---|
| Inflation | 2.50% |
| Salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Payroll increases | 3.00% |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Discount rate of return | 7.45% |
| Cost-of-living adjustments (COLA) | 0% |

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

## 7. PENSION PLANS—*continued*

***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. 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.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School District's proportionate share of the net pension liability | $45,892,770 | $31,425,475 | $19,180,873 |

### Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The School District's liability is 6.2% of wages paid.

## 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS

### *Net OPEB Liability (Asset)*

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

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

**8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued***

GASB Statement No. 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 fully-funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually-required OPEB contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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

*Health Care Plan Description*—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 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, the minimum compensation 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 School District's surcharge obligation was $88,235.

## 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $106,095 for fiscal year 2019. Of this amount $88,235 is reported as an intergovernmental 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.

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

| | SERS | STRS | Total |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability (Asset) | $ 3,935,381 | $ (2,296,622) | $ 1,638,759 |
| Proportion of the Net OPEB Liability (Asset) | 0.1419% | 0.1429% | |
| Change in Proportion | -0.0018% | 0.0027% | |
| (Negative) OPEB Expense | $ 109,505 | $ (4,954,090) | $ (4,844,585) |

## 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

| | SERS | STRS | Total |
|---|---|---|---|
| **Deferred Outflows of Resources** | | | |
| Differences between expected and actual experience | $ 64,238 | $ 268,250 | $ 332,488 |
| Change in School District's proportionate share and difference in employer contributions | - | 152,175 | 152,175 |
| School District's contributions subsequent to the measurement date | 106,095 | - | 106,095 |
| Total Deferred Outflows of Resources | $ 170,333 | $ 420,425 | $ 590,758 |
| **Deferred Inflows of Resources** | | | |
| Differences between expected and actual experience | $ - | $ 133,806 | $ 133,806 |
| Net difference between projected and actual earnings on OPEB plan investments | 5,903 | 262,370 | 268,273 |
| Change in assumptions | 353,564 | 3,129,327 | 3,482,891 |
| Change in School District's proportionate share and difference in employer contributions | 87,377 | - | 87,377 |
| Total Deferred Inflows of Resources | $ 446,844 | $ 3,525,503 | $ 3,972,347 |

$106,095 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|---|---|---|---|
| 2020 | $ (176,812) | $ (555,938) | $ (732,750) |
| 2021 | (139,433) | (555,938) | (695,371) |
| 2022 | (21,067) | (555,938) | (577,005) |
| 2023 | (18,554) | (496,352) | (514,906) |
| 2024 | (18,963) | (475,449) | (494,412) |
| 2025 | (7,777) | (465,463) | (473,240) |
| | $ (382,606) | $ (3,105,078) | $ (3,487,684) |

***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.

## 8. OTHER POSTEMPLOYMENT BENEFITS (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 consider the employee's entire career with the employer and 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, prepared as of June 30, 2018, are presented below:

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

Mortality 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. PR-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

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

## 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

The target 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 in the following table:

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

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

***Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 calculated using the discount rate of 3.70%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%) and one percentage point higher (4.70%) than the current rate.

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $4,775,276 | $3,935,381 | $3,270,342 |

**8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued***

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.25% decreasing to 3.75%) and one percentage point higher (8.25% decreasing to 5.75%) than the current rates.

| | 1% Decrease 6.25% decreasing to 3.75%) | Current Cost Trend Rate 7.25% decreasing to 4.75%) | 1% Increase 8.25% decreasing to 5.75%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB liability | $3,175,131 | $3,935,381 | $4,942,089 |

***Actuarial Assumptions - STRS***

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

| | | |
|---|---|---|
| Salary increases | 12.50% at age 20 to 2.50% at age 65 | |
| Payroll increases | 3.00% | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | |
| Discount rate of return | 7.45% | |
| Health care cost trends | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 6.00% | 4.00% |
| Medicare | 5.00% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 8.00% | 4.00% |
| Medicare | -5.23% | 4.00% |

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.

Since the prior measurement date, the discount rate was increased from 4.13% to 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.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. 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.

## 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLANS—*continued*

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

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

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

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

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| School District's proportionate share of the net OPEB (asset) | ($1,968,419) | ($2,296,622) | ($2,572,459) |

| | 1% Decrease | Current Cost Trend Rate | 1% Increase |
|---|---|---|---|
| School District's proportionate share of the net OPEB (asset) | ($2,556,887) | ($2,296,622) | ($2,032,300) |

## 9. EMPLOYEE BENEFITS

### Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Non-certified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service while administrators receive twenty days of vacation per year. Accumulated, unused vacation time is paid to non-certified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and non-certified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 260 days for administrators and 188 days for teachers and classified staff. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave.

## 10. LONG-TERM OBLIGATIONS

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

| | Principal Outstanding 7/1/18 | Additions | Reductions | Principal Outstanding 6/30/19 | Amounts Due in One Year |
|---|---|---|---|---|---|
| ***Governmental Activities:*** | | | | | |
| Series 2007 GO Refunding Bonds: | | | | | |
| Capital appreciation bonds | $ 55,000 | $ - | $ - | $ 55,000 | $ 30,000 |
| Bond accretion | 474,140 | 123,440 | - | 597,580 | - |
| Series 2009 School Improve. Bonds: | | | | | |
| Serial and term bonds | 32,220,000 | - | (1,930,000) | 30,290,000 | 2,015,000 |
| Unamortized premiums | 554,999 | - | (48,264) | 506,735 | - |
| Series 2013 GO Refunding Bonds: | | | | | |
| Serial bonds | 315,000 | - | (315,000) | - | - |
| Series 2014 Certificates of Participation: | | | | | |
| Serial and term certificates | 3,365,000 | - | (125,000) | 3,240,000 | 125,000 |
| Unamortized premiums | 16,149 | - | (804) | 15,345 | - |
| Series 2017 GO Refunding Bonds: | | | | | |
| Serial bonds | 4,530,000 | - | (35,000) | 4,495,000 | - |
| Unamortized premiums | 481,449 | - | (38,516) | 442,933 | - |
| Series 2018 Certificates of Participation: | | | | | |
| Serial and term certificates | 7,825,000 | - | (205,000) | 7,620,000 | 215,000 |
| Unamortized premiums | 219,747 | - | (9,351) | 210,396 | - |
| Direct borrowing: | | | | | |
| Lease-purchase agreements | 1,380,000 | - | (144,000) | 1,236,000 | 151,000 |
| Compensated absences | 2,608,521 | 367,785 | (157,140) | 2,819,166 | 154,830 |
| Net pension liability: | | | | | |
| STRS | 33,311,526 | - | (1,886,051) | 31,425,475 | - |
| SERS | 8,460,703 | - | (455,835) | 8,004,868 | - |
| Net OPEB liability: | | | | | |
| STRS | 5,471,190 | - | (5,471,190) | - | - |
| SERS | 3,855,224 | 80,157 | - | 3,935,381 | - |
| Total | $ 105,143,648 | $ 571,382 | $ (10,821,151) | $ 94,893,879 | $ 2,690,830 |

## 10. LONG-TERM OBLIGATIONS—*continued*

*General Obligation School Improvement Bonds*

The School District issued $5,470,000 in Series 2007 general obligation refunding bonds that refunded a portion of the Series 2004 bonds. The serial and term bonds were refunded by the Series 2017 general obligation refunding bonds in November 2017. After the partial refunding during the fiscal year, $55,000 in capital appreciation bonds remain outstanding and will fully mature on December 1, 2020.

The School District issued $46,049,699 in Series 2009 general obligation school improvement bonds for the purpose of construction of a new high school. This issuance includes $35,610,000 in Building America Bonds that are eligible to receive subsidy payments from the federal government equal to 35% of the corresponding interest payments. The bonds pay interest at rates ranging from 5.0% to 6.5% and will fully mature on December 1, 2029.

The School District issued $1,490,000 in Series 2013 general obligation refunding bonds that refunded a portion of the Series 2004 bonds. The refunded bonds pay an interest rate of 3.5% and matured on December 1, 2018.

The School District issued $4,530,000 in Series 2017 general obligation refunding bonds to currently refund $4,940,000 of the Series 2007 general obligation refunding bonds. The bonds pay interest at rates ranging from 1.50% to 4.00% and mature on December 1, 2030.

*Certificates of Participation*

The School District issued $3,820,000 in Series 2014 Certificates of Participation that will, in combination with additional funding from the School District and funding from the Ohio Classroom Facilities Assistance Program, finance construction of a new Kramer Elementary School. The certificates pay interest at rates ranging from 2% to 3.75% and will fully mature on June 1, 2038.

The School District issued $8,000,000 in Series 2018 certificates of participation that, in combination with funding from the Ohio Classroom Facilities Assistance Program, will finance renovations to Marshall Elementary School. The certificates pay interest at rates ranging from 3.00% to 4.00% and will fully mature on June 1, 2042.

Principal and interest requirements to retire the general obligations bonds and certificates of participation outstanding at June 30, 2019 are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 2,385,000 | $ 2,528,126 | $ 4,913,126 |
| 2021 | 2,465,000 | 2,413,807 | 4,878,807 |
| 2022 | 3,070,000 | 2,271,626 | 5,341,626 |
| 2023 | 3,200,000 | 2,103,498 | 5,303,498 |
| 2024 | 3,305,000 | 1,923,085 | 5,228,085 |
| 2025-2029 | 19,750,000 | 6,208,874 | 25,958,874 |
| 2030-2034 | 7,255,000 | 1,234,104 | 8,489,104 |
| 2035-2039 | 2,890,000 | 506,879 | 3,396,879 |
| 2040-2042 | 1,380,000 | 90,675 | 1,470,675 |
| Total | $ 45,700,000 | $ 19,280,671 | $ 64,980,671 |

## 10. LONG-TERM OBLIGATIONS—*continued*

*Lease-purchase Agreement*

During 2006, the Board authorized financing in the amount of $2,593,000 for the construction of a new elementary school with a direct borrowing lease-purchase agreement through the Ohio Association of School Business Official's Expanded Asset Pooled Financing Program.

The future minimum payments for the lease-purchase agreement as of June 30, 2019 were as follows:

| Fiscal Year Ending June 30, | | |
|---|---|---|
| 2020 | $ | 208,012 |
| 2021 | | 208,511 |
| 2022 | | 208,622 |
| 2023 | | 209,323 |
| 2024 | | 209,588 |
| 2025-2026 | | 419,197 |
| Total | | 1,463,253 |
| Less amount representing interest | | (227,253) |
| Present value of minimum lease payments | $ | 1,236,000 |

All general obligation debt and certificates of participation are supported by the full faith and credit of the School District. Compensated absences will be paid primarily by the general fund. The general obligation bonds were paid from the debt service fund. The certificates of participation and lease-purchase agreement were paid from the nonmajor governmental permanent improvement fund.

## 11. FUND BALANCE DEFICITS

At June 30, 2019, the following funds had a deficit fund balance:

| | | |
|---|---|---|
| Other Governmental Funds: | | |
| IDEA, Part B Fund | $ | 80,925 |
| Title I Grant Fund | | 52,277 |
| Supporting Effective Instruction Grant Fund | | 12,488 |

The deficit fund balances were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

## 12. FUND BALANCES

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

| Fund Balances | General Fund | Debt Service Fund | OFCC Project Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| ***Nonspendable*** | | | | | |
| Inventory | $ - | $ - | $ - | $ 12,927 | $ 12,927 |
| Prepaid items | 48,835 | - | - | 1,019 | 49,854 |
| *Total Nonspendable* | 48,835 | - | - | 13,946 | 62,781 |
| ***Restricted for*** | | | | | |
| Food Service Operations | - | - | - | 396 | 396 |
| Scholarships | - | - | - | 193,621 | 193,621 |
| Classroom Maintenance | | | | 1,951,257 | 1,951,257 |
| Athletics | - | - | - | 62,367 | 62,367 |
| Other Purposes | - | - | - | 75,786 | 75,786 |
| Debt Service Payments | - | 2,681,778 | - | - | 2,681,778 |
| Capital Improvements | - | - | 7,382,069 | 4,224,374 | 11,606,443 |
| *Total Restricted* | - | 2,681,778 | 7,382,069 | 6,507,801 | 16,571,648 |
| ***Assigned to*** | | | | | |
| Public School Support | 257,035 | - | - | - | 257,035 |
| Purchases on Order | 18,351 | - | - | - | 18,351 |
| Budgetary Resource | 3,015,354 | - | - | - | 3,015,354 |
| *Total Assigned* | 3,290,740 | - | - | - | 3,290,740 |
| ***Unassigned*** | 21,677,826 | - | - | (145,690) | 21,532,136 |
| ***Total Fund Balance*** | $ 25,017,401 | $2,681,778 | $7,382,069 | $ 6,376,057 | $41,457,305 |

## 13. JOINTLY GOVERNED ORGANIZATIONS

*Butler Technology and Career Development Schools*

The Butler Technology and Career Development Schools (Butler Tech), a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school districts' elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Butler Tech was formed for the purpose of providing vocational education opportunities to the students of the member school districts which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Butler Tech. To obtain financial information, write to Butler Tech, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

## 13. JOINTLY GOVERNED ORGANIZATIONS—*continued*

*Southwestern Ohio Computer Association*

The Southwestern Ohio Computer Association (SWOCA) was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three-county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to SWOCA, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

## 14. INSURANCE PURCHASING POOLS

*Butler Health Plan*

The School District participates in the Butler Health Plan (BHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BHP at 400 North Erie Boulevard, Suite B, Hamilton, OH 45011.

*Ohio School Plan*

The Ohio School Plan (OSP) is an insurance purchasing pool among school districts in Ohio formed for the purpose of establishing a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by OSP. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The affairs of the corporation are managed by a 13-member Board of Directors made up of school administrators. The School District does not have an equity interest in OSP.

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

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

## 15. CONTINGENCIES

### Federal and State Funding

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

## 15. CONTINGENCIES—*continued*

### Litigation

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

## 16. REQUIRED SET-ASIDES

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

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

| | Capital Improvements | Budget Stabilization |
|---|---|---|
| Set-aside reserve balance as of June 30, 2018 | $ - | $ 340,431 |
| Current year set-aside requirement | 546,399 | - |
| Current year qualifying expenditures | (915,243) | - |
| Excess qualified expenditures from prior years | - | - |
| Total | $ (368,844) | $ 340,431 |
| Set-aside reserve balance as of June 30, 2019 | $ - | $ 340,431 |

The Ohio General Assembly eliminated the requirement for the budget stabilization reserve and effective April 10, 2001, the Board of Education could choose to eliminate the reserve with the exception of rebates received from the Bureau of Workers Compensation. The School District chose not to reduce its budget stabilization reserve.

## 17. COMMITMENTS

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At June 30, 2019, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

| | |
|---|---|
| General Fund | $ 33,776 |
| Other Governmental Funds | 126,497 |
| | $ 160,273 |

# Required Supplementary Information

## TALAWANDA SCHOOL DISTRICT, OHIO

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Taxes | 22,681,652 | $ 22,555,593 | $ 22,552,163 | $ (3,430) |
| Tuition and fees | 1,429,696 | 1,421,750 | 1,421,534 | (216) |
| Interest | 746,849 | 742,698 | 742,585 | (113) |
| Intergovernmental | 9,929,174 | 9,873,990 | 9,872,489 | (1,501) |
| Other local revenues | 267,773 | 266,284 | 266,244 | (40) |
| **Total revenues** | 35,055,144 | 34,860,315 | 34,855,015 | (5,300) |
| **Expenditures:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 16,945,546 | 16,960,366 | 17,097,527 | (137,161) |
| Special education | 3,625,798 | 4,023,316 | 3,692,313 | 331,003 |
| Other instruction | 1,777,432 | 1,634,640 | 1,542,258 | 92,382 |
| Support services: | | | | |
| Pupil | 2,191,216 | 2,389,472 | 2,399,502 | (10,030) |
| Instructional staff | 1,148,821 | 1,133,710 | 1,071,453 | 62,257 |
| Board of Education | 179,498 | 91,115 | 89,768 | 1,347 |
| Administration | 2,589,459 | 2,277,067 | 2,273,442 | 3,625 |
| Fiscal | 1,446,960 | 1,335,626 | 1,280,121 | 55,505 |
| Business | 11,337 | 11,974 | 11,974 | - |
| Operation and maintenance of plant | 3,151,612 | 3,251,014 | 3,036,988 | 214,026 |
| Pupil transportation | 1,938,425 | 2,303,534 | 2,741,605 | (438,071) |
| Central | 278,399 | 278,935 | 277,719 | 1,216 |
| Non-instructional services: | | | | |
| Community services | 260 | 51,486 | 55,364 | (3,878) |
| Extracurricular activities | 798,595 | 819,050 | 814,888 | 4,162 |
| **Total expenditures** | 36,083,358 | 36,561,305 | 36,384,922 | 176,383 |
| Excess (deficiency) of revenues over (under) expenditures | (1,028,214) | (1,700,990) | (1,529,907) | 171,083 |
| **Other financing sources (uses):** | | | | |
| Other financing sources | - | 183,000 | 183,795 | 795 |
| Other financing uses | (24,530) | (2,658) | - | 2,658 |
| **Total other financing sources (uses)** | (24,530) | 180,342 | 183,795 | 3,453 |
| Net change in fund balance | (1,052,744) | (1,520,648) | (1,346,112) | $ 174,536 |
| Fund balance, beginning of year | 25,881,375 | 25,881,375 | 25,881,375 | |
| Prior year encumbrances appropriated | 168,063 | 168,063 | 168,063 | |
| Fund balance, end of year | $24,996,694 | $ 24,528,790 | $ 24,703,326 | |

See accompanying notes to required supplementary information.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1) (2)

| | School District's Proportion of the Net Pension Liability | School District's Proportionate Share of the Net Pension Liability | School District's Covered Payroll | School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2014 | 0.1514% | $ 9,005,413 | $ 3,340,874 | 269.55% | 65.52% |
| 2015 | 0.1514% | 7,664,090 | 3,300,498 | 232.21% | 71.70% |
| 2016 | 0.1512% | 8,628,925 | 3,602,633 | 239.52% | 69.16% |
| 2017 | 0.1478% | 10,819,253 | 3,481,371 | 310.78% | 62.98% |
| 2018 | 0.1416% | 8,460,703 | 3,430,079 | 246.66% | 69.50% |
| 2019 | 0.1398% | 8,004,868 | 2,894,756 | 276.53% | 71.36% |

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

**Notes to Schedule:**

*Change in assumptions.* In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

*Changes of benefit and funding terms.* In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1) (2)

| | School District's Proportion of the Net Pension Liability | School District's Proportionate Share of the Net Pension Liability | School District's Covered Payroll | School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2014 | 0.1383% | $ 40,062,332 | $ 16,385,915 | 244.49% | 69.30% |
| 2015 | 0.1383% | 33,632,095 | 15,214,115 | 221.06% | 74.70% |
| 2016 | 0.1365% | 37,718,135 | 13,504,343 | 279.30% | 72.09% |
| 2017 | 0.1388% | 46,446,525 | 14,325,314 | 324.23% | 66.78% |
| 2018 | 0.1402% | 33,311,526 | 15,287,314 | 217.90% | 75.30% |
| 2019 | 0.1429% | 31,425,475 | 16,691,029 | 188.28% | 77.30% |

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

**Notes to Schedule:**

*Change in assumptions.* In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and 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. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

*Change in benefit terms.* Effective July 1, 2017, the COLA was reduced to zero.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio
Last Seven Fiscal Years (1)

| | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | School District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | $ 462,377 | $ (462,377) | $ - | $ 3,340,874 | 13.84% |
| 2014 | 457,449 | (457,449) | - | 3,300,498 | 13.86% |
| 2015 | 474,827 | (474,827) | - | 3,602,633 | 13.18% |
| 2016 | 487,392 | (487,392) | - | 3,481,371 | 14.00% |
| 2017 | 480,211 | (480,211) | - | 3,430,079 | 14.00% |
| 2018 | 390,792 | (390,792) | - | 2,894,756 | 13.50% |
| 2019 | 482,162 | (482,162) | - | 3,571,570 | 13.50% |

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

| | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | School District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2013 | $ 2,130,169 | $ (2,130,169) | $ - | $ 16,385,915 | 13.00% |
| 2014 | 1,977,835 | (1,977,835) | - | 15,214,115 | 13.00% |
| 2015 | 1,890,608 | (1,890,608) | - | 13,504,343 | 14.00% |
| 2016 | 2,005,544 | (2,005,544) | - | 14,325,314 | 14.00% |
| 2017 | 2,140,224 | (2,140,224) | - | 15,287,314 | 14.00% |
| 2018 | 2,336,744 | (2,336,744) | - | 16,691,029 | 14.00% |
| 2019 | 2,473,537 | (2,473,537) | - | 17,668,121 | 14.00% |

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1) (2)

| | School District's Proportion of the Net OPEB Liability | School District's Proportionate Share of the Net OPEB Liability | School District's Covered Payroll | School District's Entity's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---|---|---|---|---|---|
| 2017 | 0.1491% | $ 4,250,673 | $ 3,481,371 | 122.10% | 11.49% |
| 2018 | 0.1437% | 3,855,224 | 3,430,079 | 112.39% | 12.46% |
| 2019 | 0.1419% | 3,935,381 | 2,894,756 | 135.95% | 13.57% |

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

**Notes to Schedule:**

*Change in assumptions.* In fiscal year 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and 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 among disabled members.

In fiscal year 2019, medical trend rates have been adjusted to reflect premium decreases.

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

| | |
|---|---|
| Municipal bond index rate: | |
| Fiscal year 2019 | 3.62% |
| Fiscal year 2018 | 3.56% |
| Fiscal year 2017 | 2.92% |
| | |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Fiscal year 2019 | 3.70% |
| Fiscal year 2018 | 3.63% |
| Fiscal year 2017 | 2.98% |

*Change in benefit and funding terms.* In fiscal year 2019, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1) (2)

| | School District's Proportion OPEB Liability/ (Asset) | School District's Proportionate OPEB Liability/ (Asset) | School District's Covered Payroll | School District's Entity's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/(Asset) |
|---|---|---|---|---|---|
| 2017 | 0.1388% | $ 7,420,820 | $ 14,325,314 | 51.80% | 37.3% |
| 2018 | 0.1402% | 5,471,190 | 15,287,314 | 35.79% | 47.1% |
| 2019 | 0.1429% | (2,296,622) | 16,691,029 | (13.76%) | 176.0% |

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

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

**Notes to Schedule:**

*Change in assumption.* For measurement year 2017, 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)* , and the long-term expected rate of return was reduced from 7.75% to 7.45%. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For measurement year 2018, 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. Valuation year per capital health care costs were updated.

*Change in benefit terms.* For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced 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 measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District's OPEB Contributions
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

| | Contractually Required Contributions (2) | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | School District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2016 | $ 72,560 | $ (72,560) | $ - | $ 3,481,371 | 2.08% |
| 2017 | 156,021 | (156,021) | - | 3,430,079 | 4.55% |
| 2018 | 91,360 | (91,360) | - | 2,894,756 | 3.16% |
| 2019 | 106,095 | (106,095) | - | 3,571,570 | 2.97% |

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

**TALAWANDA SCHOOL DISTRICT**
Required Supplementary Information
Schedule of School District's OPEB Contributions
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

| | Contractually Required Contributions (2) | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | School District's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2016 | $ - | $ - | $ - | $ 14,325,314 | 0.00% |
| 2017 | - | - | - | 15,287,314 | 0.00% |
| 2018 | - | - | - | 16,691,029 | 0.00% |
| 2019 | - | - | - | 17,668,121 | 0.00% |

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

**Note A - Budgetary Process**

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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

*Tax Budget* 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Butler County Budget Commission for rate determination.

*Estimated Resources* Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary schedules reflect the amounts in the final amended certificate issued during the fiscal year.

*Appropriations* Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolutions, 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 at the level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures, which appear in the schedules of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. The Board passed supplemental appropriations during the fiscal year.

**Note A - Budgetary Process** - continued

*Encumbrances* 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 the GAAP basis, encumbrances outstanding at fiscal year-end are reported as an assignment of fund balance for subsequent-year expenditures for governmental funds.

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

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

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as expenditures when liquidated (GAAP basis).

**Note A - Budgetary Process** - concluded

The following table summarizes the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

| | | General |
|---|---|---|
| Net change in fund balance - GAAP Basis | $ | (820,533) |
| Increase / (decrease): | | |
| Due to inclusion of Uniform School Supply Fund | | (39,587) |
| Due to inclusion of Public School Support Fund | | 38,335 |
| Due to revenues | | (777,324) |
| Due to expenditures | | 102,978 |
| Due to other sources (uses) | | 183,795 |
| Due to encumbrances | | (33,776) |
| Net change in fund balance - Budget Basis | $ | (1,346,112) |

# Talawanda City School District

## Single Audit Reports

## June 30, 2019

PLATTENBURG
Certified Public Accountants

**This page intentionally left blank.**

**TALAWANDA SCHOOL DISTRICT**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2019**

| Federal Grant<br>Pass Through Grantor<br>Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements | Non-Cash Disbursements |
|---|---|---|---|---|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Passed Through Ohio Department of Education: | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | 3L70 | 10.553 | $102,391 | $0 |
| National School Lunch Program | 3L60 | 10.555 | 399,996 | 104,293 |
| Total Child Nutrition Cluster | | | 502,387 | 104,293 |
| Total U.S. Department of Agriculture | | | 502,387 | 104,293 |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Passed Through Ohio Department of Education: | | | | |
| Special Education Cluster: | | | | |
| Special Education-Grants to States | 3M20 | 84.027 | 585,185 | 0 |
| Special Education-Preschool Grants | 3C50 | 84.173 | 25,531 | 0 |
| Total Special Education Cluster | | | 610,716 | 0 |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 374,840 | 0 |
| Supporting Effective Instruction State Grants | 3Y60 | 84.367 | 85,326 | 0 |
| Student Support and Academic Enrichment Program | 3HI0 | 84.424 | 9,323 | 0 |
| Total U.S. Department of Education | | | 1,080,205 | 0 |
| Total Federal Assistance | | | $1,582,592 | $104,293 |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared using the cash basis of accounting. The information in this schedule is presented 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). The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**This page intentionally left blank.**

# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Talawanda City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Talawanda City School District (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 December 18, 2019.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 18, 2019

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Board of Education
Talawanda City School District

**Report on Compliance for Each Major Federal Program**

We have audited the Talawanda City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of 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. We issued our report thereon dated December 18, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 18, 2019

**TALAWANDA CITY SCHOOL DISTRICT**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**Year Ended June 30, 2019**

**Section I – Summary of Auditor's Results**

**Financial Statements**

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant Deficiency(s) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

**Federal Awards**

| | |
|---|---|
| Internal control over major federal programs: | |
| • Material weakness(es) identified? | No |
| • Significant Deficiency(s) identified? | None reported |
| Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| Identification of major federal programs: | |
| Nutrition Cluster | |
| Dollar threshold used to distinguish between Type A and Type B Programs | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**Section II – Findings Related to the Financial Statements Required to be reported in Accordance with GAGAS**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**TALAWANDA CITY SCHOOL DISTRICT**
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**
**June 30, 2019**

**Summary of Prior Audit Findings:**

None Noted

OHIO AUDITOR OF STATE
KEITH FABER

**TALAWANDA SCHOOL DISTRICT**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JANUARY 23, 2020**

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov