CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

Carlisle Local School District
Warren County
724 Fairview Drive
Carlisle, Ohio 45005

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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

Keith Faber
Auditor of State

Columbus, Ohio

March 16, 2020

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

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2019 by $14,297. Of this amount, $10,570,411 represents net investments in capital assets and net position amounts restricted for specific purposes and the deficit balance of $10,584,708 represents unrestricted net position.

- In total, net position of governmental activities increased by $7,872,566, which represents a 99.82 percent increase from 2018.

- General revenues accounted for $17,370,979 or 66.78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $8,641,318 or 33.22 percent of total revenues of $26,012,297.

- The District had $18,139,731 in expenses related to governmental activities; only $8,641,318 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of $17,370,979 were used to provide for the remainder of these programs.

- The District recognizes four major governmental funds: the General Fund, Bond Retirement Fund, Building Fund and Classroom Facilities Construction Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had $18,173,752 in revenues and $17,733,693 in expenditures in fiscal year 2019.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The Statement of Activities presents information showing how the District's net position changed during the 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 periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Bond Retirement Fund, Building Fund and Classroom Facilities Construction Fund.

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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental 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 current 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 requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the 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 governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 governmental funds and governmental activities.

Fiduciary Funds

The District's fiduciary funds consist of a private purpose trust and an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Private purpose trust funds are held in a trustee capacity for individuals, private organizations, or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Recall that the Statement of Net Position provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net position). Table 1 provides a summary of the District's net position for fiscal year 2019 compared to fiscal year 2018:

Table 1

Net Position at Year End

	Governmental Activities		
	2019	2018	Change
Assets:			
Current and Other Assets	$38,238,187	$37,209,616	$1,028,571
Capital Assets, Net	12,687,860	2,903,311	9,784,549
Total Assets	50,926,047	40,112,927	10,813,120
Deferred Outflows of Resources:			
Pension	4,717,555	5,611,084	(893,529)
OPEB	387,665	191,859	195,806
Total Deferred Outflows of Resources	5,105,220	5,802,943	(697,723)
Liabilities:			
Current and Other Liabilities	4,063,679	2,264,841	1,798,838
Long-Term Liabilities:			
Due Within One Year	329,335	320,993	8,342
Due in More Than One Year:			
Net Pension Liability	18,390,588	19,010,721	(620,133)
Net OPEB Liability	2,036,253	4,302,127	(2,265,874)
Other Amounts	21,977,986	22,175,265	(197,279)
Total Liabilities	46,797,841	48,073,947	(1,276,106)
Deferred Inflows of Resources:			
Property Taxes	6,079,947	4,037,108	2,042,839
Pension	1,385,889	1,208,706	177,183
OPEB	1,781,887	482,972	1,298,915
Total Inflows of Resources	9,247,723	5,728,786	3,518,937
Net Position:			
Net Investment in Capital Assets	591,962	319,831	272,131
Restricted	9,978,449	4,633,409	5,345,040
Unrestricted	(10,584,708)	(12,840,103)	2,255,395
Total Net Position	($14,297)	($7,886,863)	$7,872,566

The net pension liability (NPL) and net other postemployment benefits liability (OPEB) are the largest single liabilities reported by the District at June 30, 2019 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statements No. 68 and No. 75 takes an earnings approach to pension/OPEB accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

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

Current and other assets increased $1,028,571 from fiscal year 2018, the result of an increase in net OPEB assets, which is due to the retirement system calculations.

Current (other) liabilities increased $1,798,838 or 79.42 percent. This increase is primarily due to the increase in contracts payable.

Long-term liabilities decreased $3,074,944 or 6.71 percent due to a decrease in net pension/OPEB liability (See Notes 11 and 12).

The District's net investment in capital assets is $833,664. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's smallest portion of net position is unrestricted, and carries a deficit balance of $10,584,708. Unrestricted net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of $9,978,449 is restricted assets. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2019 and provides a comparison to fiscal year 2018.

Table 2

Changes in Net Position

	Governmental Activities		
	2019	2018	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$1,499,301	$1,694,826	($195,525)
Operating Grants and Contributions	2,369,973	2,284,713	85,260
Capital Grants and Contributions	4,772,044	3,260,991	1,511,053
General Revenues:			
Property Taxes	5,280,272	5,009,605	270,667
Income Taxes	2,378,143	2,313,139	65,004
Unrestricted Grants and Entitlements	8,427,454	8,292,226	135,228
Payments in Lieu of Taxes	602,115	510,102	92,013
Investment Earnings	524,016	212,178	311,838
Miscellaneous	158,979	153,072	5,907
Total Revenues	26,012,297	23,730,852	2,281,445

(Continued)

Table 2
Changes in Net Position

	2019	2018	Change
Expenses:			
Program Expenses:			
Instruction:			
Regular	7,696,660	4,339,696	3,356,964
Special	2,577,384	1,365,057	1,212,327
Vocational	114,069	81,555	32,514
Student Intervention Services	130,009	171,232	(41,223)
Other	65,931	63,560	2,371
Support Services:			
Pupils	1,005,764	659,186	346,578
Instructional Staff	493,839	193,457	300,382
Board of Education	42,088	26,011	16,077
Administration	1,177,070	398,553	778,517
Fiscal	602,895	430,586	172,309
Business	83,075	15,032	68,043
Operation and Maintenance of Plant	1,249,880	998,207	251,673
Pupil Transportation	942,050	672,391	269,659
Central	69,313	87,624	(18,311)
Operation of Non-Instructional Services:			
Food Service	607,490	591,289	16,201
Extracurricular Activities	417,464	353,574	63,890
Interest and Fiscal Charges	864,750	713,282	151,468
Issuance Costs	0	324,465	(324,465)
Total Expenses	18,139,731	11,484,757	6,654,974
Change in Net Position	7,872,566	12,246,095	(4,373,529)
Net Position-Beginning of Year	(7,886,863)	(20,132,958)	12,246,095
Net Position-End of Year	($14,297)	($7,886,863)	$7,872,566

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration, Pupils and Pupil Transportation. These programs account for 80.68 percent of the total governmental activities. Regular Instruction, which accounts for 42.31 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 14.22 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 6.92 percent of the total, represents costs associated with operating and maintaining the District's facilities. Administration, which represents 6.47 percent of the total, represents costs associated with the overall administrative responsibility for each building and the School District as a whole. Pupils, which represents 5.56 percent of the total cost, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Pupil Transportation, which represents 5.20 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities.

The majority of the funding for the most significant programs indicated above is from property taxes, income taxes, capital grants and contributions, and grants and entitlements not restricted for specific programs. Property taxes, income taxes, capital grants and contributions, and grants and entitlements not restricted for specific programs accounts for 80.14 percent of total revenues.

As noted previously, the net position for governmental activities increased $7,872,566, or 99.82 percent. This is a change from last year when net position increased $12,246,095 or 60.83 percent. Total revenues increased $2,281,445 or 9.61 percent over the last year and expenses increased $6,654,974 or 57.95 percent over last year.

The District had program revenue increases of $1,400,788 and an increase in general revenues of $893,789. The increase in program revenues is due to additional capital grants for the facilities construction project and the increase in general revenues is due to an increase in property taxes and unrestricted grants and entitlements.

The total expenses for governmental activities increased in several program expense categories. The most significant increase was in Regular Instruction. The $6.4 million increase in expenditures, is mainly the result of the effect on expenses of the decrease in net pension/OPEB liabilities.

Governmental Activities

Over the past fiscal year, the District has experienced an increase in financial condition. The District is heavily dependent on property and income taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of General Fund revenue growth. Property and income taxes made up 29.43 percent and intergovernmental revenue made up 59.82 percent of the total revenue for the governmental activities in fiscal year 2019.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at $100,000 and taxed at 1.0 mill, $35.00 annually. If three years later the home were reappraised and the value increased to $200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive $35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's 2.0 mill Permanent Improvement Levy is an important piece of the financial picture. It funds not only facility maintenance and upkeep issues but also provides the bulk of the District's technology needs and a large percentage of the State's set-aside requirements for capital improvements.

The District's 5.9 mill Emergency Operation Levy passed in May 2013 and began collection in January 2014. This levy has provided operating funds for the District to maintain its current level of services and to forecast solvency into the future.

The District's 6.2 mill School Improvement Levy passed in May 2018 and began collection in January 2019. This levy provides the District's local share of the school construction costs and the cost of other improvements to school facilities.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2019, the District received $8,868,404 through the State's foundation program, which represents 34.08 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 58.25 percent of governmental activities program expenses. Support services expenses make up 31.28 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2019 compared with fiscal year 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program Expenses:				
Instruction	$10,584,053	$3,294,519	$6,021,100	$910,455
Support Services	5,665,974	5,119,605	3,481,047	2,980,215
Operation of Non-Instructional Services	607,490	(84,657)	591,289	(102,060)
Extracurricular Activities	417,464	304,196	353,574	217,633
Interest and Fiscal Charges	864,750	864,750	713,282	713,282
Issuance Costs	0	0	324,465	324,465
Total Expenses	$18,139,731	$9,498,413	$11,484,757	$5,043,990

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of $26,206,595 and expenditures of $29,832,129.

Total governmental funds fund balance decreased $3,625,534 or 11.86 percent. The decrease in fund balance for the year was most significant in the Classroom Facilities Construction Fund, which is the result of an increase in expenditures for the construction project.

Budget Highlights - General Fund

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

During the course of fiscal year 2019, the District amended its General Fund budget one time. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors' flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis revenue was $17,944,706 representing no change from the original budget estimate of revenue. For the General Fund, the final budget basis expenditures were $18,289,986 representing an increase of $23,400 from the original budget estimate of expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had $24,191,730 invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of $11,503,870. Table 4 shows fiscal year 2019 balances compared to fiscal year 2018.

Table 4

Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2019	2018
Nondepreciable Capital Assets:		
Land	$325,000	$325,000
Construction in Progress	10,576,593	1,109,174
Depreciable Capital Assets:		
Land Improvements	588,745	263,799
Buildings and Improvements	6,366,082	6,366,082
Furniture, Fixtures and Equipment	4,501,928	4,335,243
Vehicles	1,833,382	1,696,889
Total Capital Assets	24,191,730	14,096,187
Less Accumulated Depreciation:		
Land Improvements	104,290	93,805
Buildings and Improvements	5,785,870	5,705,197
Furniture, Fixtures and Equipment	4,095,580	3,942,192
Vehicles	1,518,130	1,451,682
Total Accumulated Depreciation	11,503,870	11,192,876
Capital Assets, Net	$12,687,860	$2,903,311

More detailed information pertaining to the District's capital asset activity can be found in Note 9 of the notes to the basic financial statements.

Debt Administration

At June 30, 2019, the District had $20.1 million in general obligation debt outstanding with $145,000 due within one year. Table 5 summarizes the bonds outstanding for fiscal year 2019.

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2019
2019 General Obligation Bonds	$20,125,000
Total	$20,125,000

Detailed information pertaining to the District's long-term debt activity can be found in Note 14 to the basic financial statements.

Current Issues

The economic climate at the time of this report is that we are in a good economy. Property tax collections have increased due to the new emergency operating levy. The housing sector has picked up in Carlisle due to the passage of a bond issue to build new school facilities. Property tax revenue will be increasing slightly with new construction. New construction in Carlisle's housing subdivisions has picked up.

The District passed the renewal of the Emergency Levy in May of 2018.

Management has continued to cut spending to eliminate the deficit. Multiple positions have been eliminated and other changes have been made in operations to gain efficiency and reduce spending.

The District is at 22.13 mills of valuation. This means that when the County would perform its tri-annual reappraisal the District would usually see an increase in property tax revenue. In the most recent triennial property valuation conducted by the Warren County Auditor, the property values in the Carlisle Local School District increased on the average of 9%. That is the first significant increase in property valuation in over a decade.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information, contact Dan Bassler, Treasurer of Carlisle Local School Board of Education, 724 Fairview Drive, Carlisle, Ohio 45005.

CARLISLE LOCAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$29,871,611
Property Taxes Receivable	6,415,863
Income Taxes Receivable	884,462
Intergovernmental Receivable	26,640
Net OPEB Asset	1,039,611
Nondepreciable Capital Assets	10,901,593
Depreciable Capital Assets, Net	1,786,267
Total Assets	50,926,047
Deferred Outflows of Resources:	
Pension	4,717,555
OPEB	387,665
Total Deferred Outflows of Resources	5,105,220
Liabilities:	
Accounts Payable	1,698
Accrued Wages and Benefits	1,900,520
Contracts Payable	1,721,371
Intergovernmental Payable	335,651
Accrued Interest Payable	66,164
Matured Compensated Absences Payable	38,275
Long-Term Liabilities:	
Due within One Year	329,335
Due in More Than One Year:	
Net Pension Liability	18,390,588
Net OPEB Liability	2,036,253
Other Amounts Due in More Than One Year	21,977,986
Total Liabilities	46,797,841
Deferred Inflows of Resources:	
Property Taxes	6,079,947
Pension	1,385,889
OPEB	1,781,887
Total Deferred Inflows of Resources	9,247,723
Net Position:	
Net Investment in Capital Assets	591,962
Restricted for:	
Capital Projects	8,861,339
Debt Service	1,034,426
Other Purposes	82,684
Unrestricted	(10,584,708)
Total Net Position	($14,297)

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$7,696,660	$1,015,049	$76,022	$4,772,044	($1,833,545)
Special	2,577,384	0	1,365,071	0	(1,212,313)
Vocational	114,069	0	61,348	0	(52,721)
Student Intervention Services	130,009	0	0	0	(130,009)
Other	65,931	0	0	0	(65,931)
Support Services:					
Pupils	1,005,764	0	825	0	(1,004,939)
Instructional Staff	493,839	0	1,500	0	(492,339)
Board of Education	42,088	0	0	0	(42,088)
Administration	1,177,070	0	0	0	(1,177,070)
Fiscal	602,895	0	0	0	(602,895)
Business	83,075	0	0	0	(83,075)
Operation and Maintenance of Plant	1,249,880	0	0	0	(1,249,880)
Pupil Transportation	942,050	0	536,844	0	(405,206)
Central	69,313	0	7,200	0	(62,113)
Operation of Non-Instructional Services:					
Food Services	607,490	374,426	317,721	0	84,657
Extracurricular Activities	417,464	109,826	3,442	0	(304,196)
Interest and Fiscal Charges	864,750	0	0	0	(864,750)
Total Governmental Activities	$18,139,731	$1,499,301	$2,369,973	$4,772,044	(9,498,413)
	General Revenues:				
	Property Taxes Levied for:				
	General Purposes				3,933,769
	Debt Service				1,073,315
	Capital Maintenance				63,018
	Capital Outlay				210,170
	Income Taxes Levied for:				
	General Purposes				2,378,143
	Grants and Entitlements not Restricted to Specific Programs				8,427,454
	Payment in Lieu of Taxes				602,115
	Investment Earnings				524,016
	Miscellaneous				158,979
	Total General Revenues				17,370,979
	Change in Net Position				7,872,566
	Net Position at Beginning of Year				(7,886,863)
	Net Position at End of Year				($14,297)

See accompanying notes to the basic financial statements

CARLISLE LOCAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

	General	Bond Retirement	Building	Classroom Facilities Construction	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	$8,219,740	$1,045,170	$6,117,447	$13,898,906	$590,348	$29,871,611
Property Taxes Receivable	5,121,819	1,169,499	0	0	124,545	6,415,863
Income Taxes Receivable	884,462	0	0	0	0	884,462
Intergovernmental Receivable	268	0	0	0	26,372	26,640
Interfund Receivable	7,347	0	0	0	0	7,347
Total Assets	$14,233,636	$2,214,669	$6,117,447	$13,898,906	$741,265	$37,205,923
Liabilities:						
Accounts Payable	$0	$0	$0	$0	$1,698	$1,698
Accrued Wages and Benefits	1,858,314	0	0	0	42,206	1,900,520
Contracts Payable	0	0	243,019	1,478,352	0	1,721,371
Intergovernmental Payable	324,668	0	0	0	10,983	335,651
Matured Compensated Absences Payable	37,054	0	0	0	1,221	38,275
Interfund Payable	0	0	0	0	7,347	7,347
Total Liabilities	2,220,036	0	243,019	1,478,352	63,455	4,004,862
Deferred Inflows of Resources:						
Property Taxes	4,979,019	1,139,361	0	0	114,809	6,233,189
Unavailable Revenue	0	0	0	0	26,372	26,372
Total Deferred Inflows of Resources	4,979,019	1,139,361	0	0	141,181	6,259,561
Fund Balances:						
Restricted	0	0	5,874,428	12,420,554	542,326	18,837,308
Assigned	1,742,468	1,075,308	0	0	0	2,817,776
Unassigned	5,292,113	0	0	0	(5,697)	5,286,416
Total Fund Balances	7,034,581	1,075,308	5,874,428	12,420,554	536,629	26,941,500
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$14,233,636	$2,214,669	$6,117,447	$13,898,906	$741,265	$37,205,923

CARLISLE LOCAL SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Funds Balances		$26,941,500
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.		12,687,860
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property Taxes	153,242	
Intergovernmental Revenue	26,372	
Total		179,614
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds	(20,125,000)	
Premium on Bonds	(1,345,949)	
Truck Purchase Note	(10,811)	
Accrued Interest on Bonds	(66,164)	
Capital Leases	(40,843)	
Compensated Absences	(784,718)	
Total liabilities that are not reported in the funds		(22,373,485)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	4,717,555	
Deferred Outflows - OPEB	387,665	
Deferred Inflows - Pension	(1,385,889)	
Deferred Inflows - OPEB	(1,781,887)	
Net OPEB Asset	1,039,611	
Net Pension Liability	(18,390,588)	
Net OPEB Liability	(2,036,253)	
Total		(17,449,786)
Net Position of Governmental Activities		($14,297)

See accompanying notes to the basic financial statements.

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

	General	Bond Retirement	Building	Classroom Facilities Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	$4,165,454	$1,048,033	$0	$0	$287,455	$5,500,942
Income Taxes	2,378,143	0	0	0	0	2,378,143
Intergovernmental	9,768,914	44,198	0	4,772,044	953,026	15,538,182
Interest	70,617	6,318	131,647	313,059	2,375	524,016
Tuition and Fees	1,015,049	0	0	0	0	1,015,049
Extracurricular Activities	29,160	0	0	0	80,666	109,826
Rentals	1,796	0	0	0	0	1,796
Payments in Lieu of Taxes	602,115	0	0	0	0	602,115
Gifts and Donations	150	0	0	0	4,767	4,917
Charges for Services	0	0	0	0	374,426	374,426
Miscellaneous	142,354	6,298	0	0	8,531	157,183
Total Revenues	18,173,752	1,104,847	131,647	5,085,103	1,711,246	26,206,595
Expenditures:						
Current:						
Instruction:						
Regular	8,524,930	0	0	0	62,868	8,587,798
Special	2,271,747	0	0	0	535,810	2,807,557
Vocational	147,451	0	0	0	0	147,451
Student Intervention Services	130,009	0	0	0	0	130,009
Other	65,931	0	0	0	0	65,931
Support Services:						
Pupils	1,087,179	0	0	0	574	1,087,753
Instructional Staff	514,012	0	0	0	6,100	520,112
Board of Education	42,088	0	0	0	0	42,088
Administration	1,303,864	0	0	0	0	1,303,864
Fiscal	618,848	3,474	4,825	9,664	3,853	640,664
Business	83,075	0	0	0	0	83,075
Operation and Maintenance of Plant	1,327,693	0	0	0	125,567	1,453,260
Pupil Transportation	996,642	0	0	0	94,241	1,090,883
Central	62,113	0	0	0	7,200	69,313
Operation of Non-Instructional Services	0	0	0	0	641,535	641,535
Extracurricular Activities	529,923	0	0	0	134,926	664,849
Capital Outlay	0	0	907,036	8,560,383	0	9,467,419
Debt Service:						
Principal Retirement	25,769	130,812	0	0	2,735	159,316
Interest and Fiscal Charges	2,419	866,809	0	0	24	869,252
Total Expenditures	17,733,693	1,001,095	911,861	8,570,047	1,615,433	29,832,129
Net Change in Fund Balances	440,059	103,752	(780,214)	(3,484,944)	95,813	(3,625,534)
Fund Balances at Beginning of Year	6,594,522	971,556	6,654,642	15,905,498	440,816	30,567,034
Fund Balances at End of Year	$7,034,581	$1,075,308	$5,874,428	$12,420,554	$536,629	$26,941,500

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds		($3,625,534)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		9,784,549
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	(220,670)	
Intergovernmental	26,372	
Total		(194,298)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		159,316
In the statement of activities, interest is accrued on outstanding bonds, wherea in governmental funds, an interest expenditure is reported when due		(32,885)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Amortization of premium on bonds	37,387	
Compensated absences	(7,766)	
Total		29,621
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,490,301
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		261,496
Change in Net Position of Governmental Activities		$7,872,566

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Property Taxes	$4,820,700	$4,820,700	$4,823,033	$2,333
Income Taxes	2,219,000	2,219,000	2,357,561	138,561
Intergovernmental	9,489,156	9,489,156	9,768,646	279,490
Interest	10,000	10,000	70,617	60,617
Tuition and Fees	916,000	916,000	1,015,049	99,049
Rent	22,000	22,000	1,796	(20,204)
Extracurricular Activities	27,750	27,750	29,160	1,410
Gifts and Donations	0	0	150	150
Payments in Lieu of Taxes	425,000	425,000	602,115	177,115
Miscellaneous	15,100	15,100	92,690	77,590
Total Revenues	17,944,706	17,944,706	18,760,817	816,111
Expenditures:				
Current:				
Instruction:				
Regular	8,857,043	8,864,943	8,486,816	378,127
Special	2,598,053	2,600,053	2,243,633	356,420
Vocational	148,664	148,664	146,311	2,353
Student Intervention Services	143,000	143,000	132,201	10,799
Other	59,400	59,400	65,280	(5,880)
Support Services:				
Pupils	1,085,519	1,085,519	1,070,310	15,209
Instructional Staff	501,005	505,005	486,426	18,579
Board of Education	43,200	43,200	42,077	1,123
Administration	1,197,501	1,198,501	1,273,421	(74,920)
Fiscal	624,391	624,391	593,316	31,075
Business	20,250	20,250	104,060	(83,810)
Operation and Maintenance of Plant	1,421,652	1,430,152	1,329,124	101,028
Pupil Transportation	958,096	958,096	1,010,036	(51,940)
Central	72,200	72,200	62,113	10,087
Extracurricular Activities				
Academic Oriented Activities	77,225	77,225	72,684	4,541
Sport Oriented Activities	442,496	442,496	461,092	(18,596)
School and Public Service Co-Curricular Activities	16,891	16,891	17,006	(115)
Total Expenditures	18,266,586	18,289,986	17,595,906	694,080
Excess of Revenues Over (Under) Expenditures	(321,880)	(345,280)	1,164,911	1,510,191
Fund Balance at Beginning of Year	6,880,443	6,880,443	6,880,443	0
Prior Year Encumbrances Appropriated	7,542	7,542	7,542	0
Fund Balance at End of Year	$6,566,105	$6,542,705	$8,052,896	$1,510,191

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$1,000	$15,892
Liabilities:		
Undistributed Monies	0	$15,892
Net Position:		
Held in Trust for:		
Scholarships	$1,000	

See accompanying notes to the basic financial statements.

CARLISLE LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the Fiscal Year Ended 6/30/2019

	Private Purpose Trust
Additions:	
Gifts and Donations	$0
Deductions:	
Payments in Accordance with Trust Agreements	1,000
Change in Net Position	(1,000)
Net Position at Beginning of Year	2,000
Net Position at End of Year	$1,000

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Description of the District

Carlisle Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately 11.7 square miles. It is located in Warren and MontgomeryCounties, and includes all of the City of Carlisle and portions of Miami and FranklinTownships. It is staffed by 82 non-certificated employees, 104 certificated full-time teaching personnel and 9 administrative employees who provide services to 1,547 students and other community members. The District currently operates 7 instructional/support facilities.

Reporting Entity

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

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

The District is associated with three jointly owned organizations: the Southwestern Ohio Computer Association (SWOCA), the MiamiValleyCareerTechnologyCenter, and the Southwestern Ohio Educational Purchasing Council. The District is also associated with one insurance purchasing pool: EPC Worker's Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The funds of the District fall within two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental funds focus on the sources, uses, and balancesof current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

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

The following is the District's only major governmental fund:

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

Bond Retirement Fund **-** This fund is used to account for financial resources accumulated for the payment of general long-time debt principal, interest and related costs.

Building Fund **-** This fund is used to pool Federal, State and local funds in order to upgrade the overall instructional program of a school building where at least 40 percent of the children are from low-income families.

Classroom Facilities Construction Fund **-** This fund is used to account for the proceeds of a property tax levy for the construction of facilities.

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position.

Fund Financial Statements

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

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

The private purpose trust is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported in the government-wide Statement of Net Position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

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

In addition to the liabilities, the Statements of Net 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 and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, unavailable revenue,pension and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes intergovernmental grants. Deferred inflows of resources related to pension and OPEB are reported on the government-wide Statement of Net Position (See Notes 11 and 12).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

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

During the fiscal year 2019, the District’s investments were limited to negotiable certificates of deposit, money market, and State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investments the investment could be sold for on June 30, 2019.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to $70,617 which $4,707 is assigned from other District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. The District had no investments at June 30, 2019.

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. As of June 30, 2019, the District reported no prepaid items.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. As of June 30, 2019, the District reported no restricted assets.

I. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

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

K.Pensions

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

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 District has identified as probable of receiving payments 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 District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 15 years of service with the District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid. As of June 30, 2019, the District reported $38,275 in Matured Compensated AbsencesPayable.

M. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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, matured claims and judgments, matured compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements liability when matured or for pension when service is rendered. Long-term loans, notes and capital leases are recognized as a liability on the fund financial statements when due.

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

N. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Net position restricted for other purposes are primarily from federal and state grants reported in the Special Revenue Funds. Of the District's $9,991,581 restricted net position, none are restricted by enabling legislation.

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

O. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

P. Interfund Transactions

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2019, the District reported no extraordinary and special items.

R. Estimates

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

S. Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2019.

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

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2019, the District implemented GASB Statement No. 83, "Certain Asset Retirement Obligation", and GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." The implementation of GASB Statements Nos. 83 and 88 had no effect on the prior period fund balances of the District.

NOTE 4 –ACCOUNTABILITY

Deficits in Fund Balance

The following funds had deficit fund balances as of June 30, 2019:

Nonmajor Special Revenue Funds:	
Children's Trust	$ 535
Miscellaneous State Grants	1,496
Title VI-B	2,405
Title I	397
Pre-School Handicap Grant	750
Title VI-R	94
Miscellaneous Federal Grants	20

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

NOTE 5 - <u>BUDGETARY BASIS OF ACCOUNTING</u>- (Continued)

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

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

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis).

4. Advances-in, advances-out and principal payments on short-term notes are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. Certain funds are maintained as separate funds for accounting and budgetary purposes(budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	$440,059
Adjustments:	
Revenue Accruals	636,729
Expenditure Accruals	(20,541)
Encumbrances	112,769
Perspective Difference for Activity of Funds Reclassified for GAAP Reporting Purposes	(4,105)
Budget Basis	$1,164,911

NOTE 6 - <u>DEPOSITS AND INVESTMENTS</u>

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

NOTE 6 - <u>DEPOSITS AND INVESTMENTS</u> - (Continued)

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

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

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

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

3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value 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 (STAROhio);

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any 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.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee 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. 40, "Deposit and Investment Risk Disclosures."

NOTE 6 - DEPOSITS AND INVESTMENTS - (Continued)

Deposits:Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits on collateral securities that are the possession of an outside party. As of June 30, 2019, all of the District's bank balance of $31,181,959 was either covered by Federal Deposit Insurance or collateral was held by the pledging banks trust department not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 % of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

The District's only financial institution is enrolled in the OPCS.

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

		Investment Maturities	
Investment Type	Fair Value	6 Months or Less	7 to 12 Months
STAROhio	$11,032	$11,032	$0
Negotiable CDs	3,468,074	2,974,960	493,114
Money Market	5,095	5,095	0
Commercial Paper	10,423,663	8,347,878	2,075,785
U.S. Government Agency Notes	348,459	0	348,459
U.S. Treasury Notes	4,125,246	3,527,004	598,242
Total	$18,381,569	$14,865,969	$3,515,600

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of June 30, 2019. All of the District's investments are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the school to meet all operating requirements.

NOTE 6 - <u>DEPOSITS AND INVESTMENTS</u> - (Continued)

<u>*Credit Risk:*</u> Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to obligations of Federal Government Agencies or Instrumentalities as described in Ohio Revised Code Section 135.143A (2). Investments in money market funds were rated 'Aaa' by Moody's Investor Services. Credit ratings for the negotiable CDs are not readily available.Moody's Investor Services rated commercial paper at P-1, Standard and Poor's has assigned STAROhio a rating of "AAAm" and for the U.S. Government Agency Notes rating of "AAA".

<u>*Concentration of Credit Risk:*</u> The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

Investment type	Fair Value	% of Total
STAROhio	$11,032	0.06%
Negotiable CDs	3,468,074	18.87%
Money Market	5,095	0.03%
Commercial paper	10,423,663	56.71%
U.S. Government Agency Notes	348,459	1.90%
U.S. Treasury Notes	4,125,246	22.44%
Total	$ 18,381,569	100%

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

All of the District's investments are either insured and registered in the name of the District or at least registered in the name of the District.

NOTE 7 - <u>PROPERTY TAXES</u>

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

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

NOTE 7 - <u>PROPERTY TAXES</u>- (Continued)

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

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

Accrued property taxes receivable represents the June 2019 personal property tax settlement, delinquent taxes outstanding and real property, and public utility taxes which become 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 total amount available as an advance at June 30, 2019 was $182,674 and is recognized as revenue. Of this total amount, $142,801 was available to the General Fund, $30,138 was available to the Bond Retirement Debt Service Fund and $9,735 was available to the Permanent Improvement Capital Projects Fund.

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

	2018 Second - Half Collections		2019 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$146,385,450	89.04%	$161,354,700	89.33%
Public Utility Personal	18,024,620	10.96%	19,277,920	10.67%
Total Assessed Value	$164,410,070	100.00%	$180,632,620	100.00%
Total rate per $1,000 of assessed valuation	$56.76		$56.76	

NOTE 8 - <u>INCOME TAX</u>

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated funds. During fiscal year 2019, the District had $2,378,143 of income tax revenue in the General Fund.

NOTE 9 - CAPITAL ASSETS

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

	Balance at July 1, 2018	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2019
Nondepreciable Capital Assets:				
Land	$325,000	$0	$0	$325,000
Construction in Progress	1,109,174	9,467,419	0	10,576,593
Total Nondepreciable Capital Assets	1,434,174	9,467,419	0	10,901,593
Depreciable Capital Assets:				
Land Improvements	263,799	324,946	0	588,745
Buildings and Improvements	6,366,082	0	0	6,366,082
Furniture, Fixtures and Equipment	4,335,243	166,685	0	4,501,928
Vehicles	1,696,889	136,493	0	1,833,382
Total Depreciable Capital Assets	12,662,013	628,124	0	13,290,137
Total Capital Assets	14,096,187	10,095,543	0	24,191,730
Accumulated Depreciation:				
Land Improvements	(93,805)	(10,485)	0	(104,290)
Buildings and Improvements	(5,705,197)	(80,673)	0	(5,785,870)
Furniture, Fixtures and Equipment	(3,942,192)	(153,388)	0	(4,095,580)
Vehicles	(1,451,682)	(66,448)	0	(1,518,130)
Total Accumulated Depreciation	(11,192,876)	(310,994)	0	(11,503,870)
Total Net Capital Assets	$2,903,311	$9,784,549	$0	$12,687,860

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	$142,054
Special	321
Vocational	10,675
Support Services:	
Pupils	1,755
Instructional Staff	6,959
Administration	854
Fiscal	3,190
Operation and Maintenance of Plant	45,487
Pupil Transportation	62,364
Operation of Non-Instructional Services	22,246
Extracurricular Activities	15,089
Total Depreciation Expense	$310,994

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2019, the District contracted with commercial carriers for property, fleet, professional and general liability insurance. Coverage's provided are as follows:

Building/Contents and Boiler/Machinery Building/Contents - replacement cost (90% co-insurance) Boiler/Machinery ($3,500 deductible)	$56,664,170
Automobile Liability ($1,000 deductible for collision and $1,000 for comprehensive)	1,000,000
Uninsured Motorists ($1,000 deductible for collision and $1,000 for comprehensive)	1,000,000
General Liability: Per Occurrence ($1,000 deductible)	1,000,000
Aggregate Limit	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year, expect for building/contents and boiler/machinery coverage.

NOTE 10 - <u>RISK MANAGEMENT</u> - (Continued)

For fiscal year 2019, the District participated in the EPC Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 21). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

Dental coverage is provided and was switched from a self-funded, self-insured internal service plan to a fully funded plan through the Educational Purchasing Cooperative (EPC). A third party administrator, CoreSource Inc. located in Westerville, Ohio reviews all claims and pays those claims in accordance with benefit guidelines. This change was effective the same date as the change in medical coverage. The District pays $99.78 for family and $39.43 per month for single respectively per employee, which represents the entire premium.

NOTE 11 - <u>DEFINED BENEFIT PENSION PLANS</u>

<u>Net Pension Liability</u>

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

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

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

GASB Statement No. 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS- (Continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was $330,943 for fiscal year 2019.

NOTE 11 - <u>DEFINED BENEFIT PENSION PLANS</u> - (Continued)

<u>Plan Description - State Teachers Retirement System (STRS)</u>

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2017, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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 five 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. STRShas therefore included all three plan options as one defined benefit plan for GASB Statement No. 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS- (Continued)

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

The District's contractually required contribution to STRS was $1,103,474 for fiscal year 2019. Of this amount $186,202 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.06753450%	0.06304167%	
Current Measurement Date	0.07272730%	0.06469674%	
Change in Proportionate Share	0.00519280%	0.00165507%	
Proportionate Share of the Net Pension Liability	$4,165,227	$14,225,361	$18,390,588
Pension Expense	$385,513	$1,016,080	$1,401,593

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$228,437	$328,366	$556,803
Changes of Assumptions	94,059	2,521,002	2,615,061
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	168,828	261,394	430,222
Distict Contributions Subsequent to the Measurement Date	330,943	1,103,474	1,434,417
Total Deferred Outflows of Resources	$822,267	$4,214,236	$5,036,503
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$0	$92,900	$92,900
Net Difference between Projected and Actual Investment Earnings	115,406	862,611	978,017
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	54,726	337,492	392,218
Total Deferred Inflows of Resources	$170,132	$1,293,003	$1,463,135

NOTE 11 - <u>DEFINED BENEFIT PENSION PLANS</u>- (Continued)

$1,434,417reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$383,782	$1,138,799	$1,522,581
2021	109,494	757,595	867,089
2022	(136,691)	41,768	(94,923)
2023	(35,393)	(120,403)	(155,796)
Total	$321,192	$1,817,759	$2,138,951

<u>Actuarial Assumptions - SERS</u>

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

NOTE 11 - DEFINED BENEFIT PENSION PLANS- (Continued)

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

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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 assets class are summarized in the following table:

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

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

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

NOTE 11 - <u>DEFINED BENEFIT PENSION PLANS</u>- (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$5,867,037	$4,165,227	$2,738,374

<u>Actuarial Assumptions - STRS</u>

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

Inflation	2.50%
Projected salary increases	12.5% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0.0 %, effective July 1, 2017

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

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

STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

NOTE 11 - DEFINED BENEFIT PENSION PLANS- (Continued)

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 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's Proportionate Share of the Net Pension Liability	$20,774,266	$14,225,361	$8,682,600

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS– (Continued)

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability 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 on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS– (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was $43,627.

The surcharge, added to the 0.5 percent allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $12,257 for fiscal year 2019. Of this amount $0 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 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

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

NOTE 12 - <u>DEFINED BENEFIT OPEB PLANS</u>– (Continued)

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.06865330%	0.06304167%	
Current Measurement Date	0.07339780%	0.06469674%	
Change in Proportionate Share	0.00474450%	0.00165507%	
Proportionate Share of the Net OPEB Liability/Asset	$2,036,253	($1,039,611)	$996,642
OPEB Expense	$98,567	($2,245,060)	($2,146,493)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$33,239	$121,428	$154,667
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	118,135	58,979	177,114
District contributions subsequent to the measurement date	55,884	0	55,884
Total Deferred Outflows of Resources	$207,258	$180,407	$387,665
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$60,571	$60,571
Net difference between projected and Actual Investment	3,056	118,766	121,822
Changes of assumptions	182,942	1,416,552	1,599,494
Total Deferred Inflows of Resources	$185,998	$1,595,889	$1,781,887

$55,884 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	($52,617)	($254,154)	($306,771)
2021	(36,363)	(254,154)	(290,517)
2022	15,107	(254,153)	(239,046)
2023	16,407	(227,713)	(211,306)
2024	16,197	(217,457)	(201,260)
Thereafter	6,645	(207,851)	(201,206)
Total	($34,624)	($1,415,482)	($1,450,106)

NOTE 12 - <u>DEFINED BENEFIT OPEB PLANS</u>– (Continued)

<u>Actuarial Assumptions - SERS</u>

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

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

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS– (Continued)

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	$2,470,833	$2,036,253	$1,692,147

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	$1,642,883	$2,036,253	$2,557,146

Actuarial Assumptions – STRS

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

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

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

NOTE 12 - <u>DEFINED BENEFIT OPEB PLANS</u>– (Continued)

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Asset Class	Allocation	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 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

NOTE 12 - <u>DEFINED BENEFIT OPEB PLANS</u> – (Continued)

Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	($891,044)	($1,039,611)	($1,164,474)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	($1,157,425)	($1,039,611)	($919,960)

NOTE 13 - <u>EMPLOYEE BENEFITS</u>

<u>Compensated Absences</u>

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 250 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for aides and all other classified employees and 240 for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit.

<u>Health, Prescription Drug, and Life Insurance</u>

On April 1, 2003, the District began providing medical/surgical benefits through a fully funded PPO medical plan with Anthem. The District pays $1,677.38 for family and $889.56 for single coverage per month, which represents ninety and ninety-five percent of the premium respectively.

The District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Insurance Company.

NOTE 14 - LONG-TERM LIABILITIES

The changes in the District's long-term liabilities during fiscal year 2019 were asfollows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2018	Additions	Deductions	Principal Outstanding at June 30, 2019	Amount Due In One Year
Governmental Activities:							
Truck Purchase Note	2015	2.75%	$21,623	$0	$10,812	$10,811	$10,811
General Obligation Bonds	2018	2-5%	20,245,000	0	120,000	20,125,000	145,000
Premium on Bonds			1,383,336	0	37,387	1,345,949	37,388
Net Pension Liability:							
STRS			14,975,684	0	750,323	14,225,361	0
SERS			4,035,037	130,190	0	4,165,227	0
Total Net Pension Liability			19,010,721	130,190	750,323	18,390,588	0
Net OPEB Liability:							
STRS			2,459,653	0	2,459,653	0	0
SERS			1,842,474	193,779	0	2,036,253	0
Total Net OPEB Liability			4,302,127	193,779	2,459,653	2,036,253	0
Capital Lease Payable			69,347	0	28,504	40,843	26,928
Compensated Absences Payable			776,952	392,288	384,522	784,718	109,208
Total Governmental Activities Long-Term Obligations			$45,809,106	$716,257	$3,791,201	$42,734,162	$329,335

The District issued a $54,057 Truck Purchase Note, dated April 2015 which will mature on December 30, 2019. The proceeds of this note were used for the purchase of a truck for the District. The note will be retired from the Permanent Improvement Fund.

General Obligation Bonds - During fiscal year 2018, the District issued $20,245,000 of general obligation bonds for construction of a new Pre K-12 facility. The $1,383,336 premium on the issuance of the bonds is netted against this debt and is being amortized over the life of this debt, with a final maturity of December 1, 2054. The bonds are retired through the Bond Retirement Fund using property tax revenues.

The District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the fund from which the employee is paid. The capital leases will be repaid through the General Fund and the Permanent Improvement Capital Project Fund.

The District's overall legal debt margin was $16,256,936 with an unvoted debt margin of $180,633 at June 30, 2019.

NOTE 14 - <u>LONG-TERM LIABILITIES</u>- (Continued)

The annual requirements to retire the truck purchase note outstanding at June 30, 2019, are as follows:

Year Ending	Truck Purchase Note		General Obligation Bonds		Totals	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2020	$10,811	$151	$145,000	$862,981	$155,811	$863,132
2021	0	0	155,000	857,706	155,000	857,706
2022	0	0	165,000	851,307	165,000	851,307
2023	0	0	195,000	844,106	195,000	844,106
2024	0	0	210,000	836,006	210,000	836,006
2025-2029	0	0	1,450,000	4,004,706	1,450,000	4,004,706
2030-2034	0	0	2,035,000	3,628,782	2,035,000	3,628,782
2035-2039	0	0	2,495,000	3,154,481	2,495,000	3,154,481
2040-2044	0	0	3,175,000	2,459,407	3,175,000	2,459,407
2045-2049	0	0	4,045,000	1,568,025	4,045,000	1,568,025
2050 -2054	0	0	4,955,000	661,472	4,955,000	661,472
2055-2056	0	0	1,100,000	19,938	1,100,000	19,938
Total	$10,811	$151	$20,125,000	$19,748,917	$20,135,811	$19,749,068

NOTE 15 - <u>CAPITAL LEASE - LESSEE DISCLOSURE</u>

The District has capital leases for sixteen copiers in the amount of $126,290. The District has reported $496,476as capital assets in the statement of net position for leased equipment.

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

Fiscal Year Ending June 30,	Capital Lease Payments
2020	$28,188
2021	14,094
Total	42,282
Less: Amount Representing Interest	1,439
Present Value of Net Minimum Lease Payments	$40,843

NOTE 16– <u>FUND BALANCES</u>

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

	General	Bond Retirement	Building	Classroom Facilities Construction	Nonmajor Other Governmental Funds	Total Governmental Funds
Restricted:						
Special Revenues:						
Athletics	$0	$0	$0	$0	$9,913	$9,913
Food Service	0	0	0	0	240,590	240,590
Classroom Maintenance	0	0	0	0	63,018	63,018
Local Grants	0	0	0	0	2,208	2,208
Capital Projects	0	0	5,874,428	12,420,554	226,597	18,521,579
Total Restricted	0	0	5,874,428	12,420,554	542,326	18,837,308
Assigned:						
Encumbrances:						
Regular	2,690	0	0	0	0	2,690
Special	924	0	0	0	0	924
Student Intervention Services	2,192	0	0	0	0	2,192
Pupils	1,671	0	0	0	0	1,671
Administration	1,378	0	0	0	0	1,378
Fiscal	8,318	0	0	0	0	8,318
Business	21,957	0	0	0	0	21,957
Operation and Maintenance of Plant	37,272	0	0	0	0	37,272
Pupil Transportation	35,266	0	0	0	0	35,266
Extracurricular Activities	1,101	0	0	0	0	1,101
Debt Service	0	1,075,308	0	0	0	1,075,308
Future Appropriations	1,575,183	0	0	0	0	1,575,183
Public School Support	54,516	0	0	0	0	54,516
Total Assigned	1,742,468	1,075,308	0	0	0	2,817,776
Unassigned	5,292,113	0	0	0	(5,697)	5,286,416
Total Fund Balances	$7,034,581	$1,075,308	$5,874,428	$12,420,554	$536,629	$26,941,500

NOTE 17- <u>INTERFUND ACTIVITY</u>

As of June 30, 2019, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	$7,347	$0
Nonmajor Special Revenue Funds:		
District Managed Activities	0	4,546
Children's Trust	0	535
Miscellaneous State Grants	0	1,496
Pre-School Handicap Grant	0	750
Miscellaneous Federal Grants	0	20
Total Nonmajor Special Revenue Funds	0	7,347
Total	$7,347	$7,347

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 18 - <u>STATUTORY SET-ASIDES</u>

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2019:

	Capital Acquisition
Current Year Set-Aside Requirement	$276,434
Prior Year Balance Carried Forward	0
Current Year Offset	(63,018)
Qualifying Disbursements	(389,170)
Total	(175,754)
Set-Aside Balance Carried Forward to Future Fiscal Years	$0
Set-Aside Reserve Balance as of June 30, 2019	$0

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

NOTE 19 – ENCUMBRANCE COMMITMENTS

At June 30, 2019, the District had encumbrance commitments in the governmental funds as follows:

Major Funds	
General	$112,769
Building	5,921,706
Classroom Facilities Construction	31,760,676
Nonmajor Funds	
Food Service	35,824
Athletics	1,187
Permanent Improvement	86,303
Total Nonmajor Funds	123,314
Total Encumbrances	$37,918,465

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Computer Association

Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the 28 participating school districts. During fiscal year 2019, the District paid $61,844 to SWOCA.

Financial information can be obtained by contacting SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio, 45011-2241.

Miami Valley Career Technology Center

The Miami Valley Career Technology Center, 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 the participating school districts' elected board, which possess its own budgeting and taxing authority. Accordingly, the Miami Valley Career Technology Center is not part of the District and its operations are not included as part of the reporting entity. During fiscal year 2019, the District did not make any contributions to the Miami Valley Career Technology Center. Financial information can be obtained by contacting the Miami Valley Career Technology Center at 3800 Hoke Road, Clayton, Ohio 45315.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS- (Continued)

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. The District made no significant payments for membership in fiscal year 2019. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, at 303 Corporate Center Dr., Suite 208, Vandalia, Ohio 45377.

NOTE 21 - INSURANCE PURCHASING POOL

EPC Worker's Compensation Group Rating Plan

The District participates in the EPC Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool established in Section 4123.39 of the Ohio Revised Code. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 22 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2019, if applicable, cannot be determined at this time.

B.Litigation

The District is involved in no pending litigation that would have a material effect on the financial condition of the District.

C. School Foundation

The District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

CARLISLE LOCAL SCHOOL DISTRICT

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

Last Six Measurement Periods (1)

	2018	2017	2016
School Employees Retirement System of Ohio			
District's Proportion of the Net Pension Liability	0.0727273%	0.0675345%	0.0694394%
District's Proportionate Share of the Net Pension Liability	$4,165,227	$4,035,037	$5,082,323
District's Covered Payroll	$2,385,086	$2,319,600	$2,450,057
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	174.64%	173.95%	207.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%
State Teachers Retirement System of Ohio			
District's Proportion of the Net Pension Liability	0.06469674%	0.06304167%	0.06484673%
District's Proportionate Share of the Net Pension Liability	$14,225,361	$14,975,684	$21,706,155
District's Covered Payroll	$7,444,800	$6,916,857	$6,854,343
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	191.08%	216.51%	316.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%

(1) Information prior to 2013 is not available.

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

See accompanying notes to the required supplementary information and accountant's report.

2015	2014	2013
0.0700754%	0.0720960%	0.0720960%
$3,998,570	$3,648,738	$4,287,318
$2,634,734	$2,482,078	$2,418,916
151.76%	147.00%	177.24%
69.16%	71.70%	65.52%
0.06443735%	0.06476167%	0.06476167%
$17,808,599	$15,752,279	$18,764,012
$6,982,129	$6,509,200	$6,929,300
255.06%	242.00%	270.79%
72.10%	74.70%	69.30%

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CARLISLE LOCAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of Net OPEB Liablity

Last Three Fiscal Years (1)

	2018	2017	2016
School Employees Retirement System of Ohio			
District's Proportion of the Net OPEB Liability	0.07339780%	0.06865330%	0.06865330%
District's Proportionate Share of the Net OPEB Liability	$2,036,253	$1,842,474	$1,956,873
District's Covered-Employee Payroll	$2,385,086	$2,319,600	$2,450,057
District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	85.37%	79.43%	79.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
State Teachers Retirement System of Ohio			
District's Proportion of the Net OPEB Liability	0.06469674%	0.06304167%	0.06304167%
District's Proportionate Share of the Net OPEB Asset	$1,039,611	$0	$0
District's Proportionate Share of the Net OPEB Liability	$0	$2,459,653	$3,371,485
District's Covered-Employee Payroll	$7,444,800	$6,916,857	$6,854,343
District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered-Employee Payroll	(13.96%)	35.56%	49.19%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2016 is not available.

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

See accompanying notes to the required supplementary information and accountant's report.

CARLISLE LOCAL SCHOOL DISTRICT

Schedule of the District's Contributions
School Employees Retirement Systems of Ohio
Last Seven Fiscal Years (1)

	2019	2018	2017	2016
Pension				
Contractually Required Contributions	$330,943	$321,987	$324,744	$343,008
Contributions in Relation to the Contractually Required Contributions	(330,943)	(321,987)	(324,744)	(343,008)
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered-Employee Payroll	$2,451,429	$2,385,086	$2,319,600	$2,450,057
Contributions as a Percentage of Covered-Employee Payroll	13.50%	13.50%	14.00%	14.00%
OPEB				
Contractually Required Contributions (2)	$12,257	$11,925	$0	$0
Contributions in Relation to the Contractually Required Contributions	(12,257)	(11,925)	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered-Employee Payroll	$2,451,429	$2,385,086	$2,319,600	$2,450,057
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.00%	0.00%

(1) Information prior to 2013 is not available.
(2) Excludeds surcharge amount.

See accompanying notes to the required supplementary information and accountant's report.

2015	2014	2013
$347,258	$325,152	$334,778
(347,258)	(325,152)	(334,778)
$0	$0	$0
$2,634,734	$2,482,078	$2,418,916
13.18%	13.10%	13.84%
$21,605	$3,475	$3,870
(21,605)	(3,475)	(3,870)
$0	$0	$0
$2,634,734	$2,482,078	$2,418,916
0.82%	0.14%	0.16%

CARLISLE LOCAL SCHOOL DISTRICT

Schedule of the District's Contributions
State Teachers Retirement System of Ohio
Last Seven Fiscal Years (1)

	2019	2018	2017	2016
Pension				
Contractually Required Contributions	$1,103,474	$1,042,272	$968,360	$959,608
Contributions in Relation to the Contractually Required Contributions	(1,103,474)	(1,042,272)	(968,360)	(959,608)
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered-Employee Payroll	$7,881,957	$7,444,800	$6,916,857	$6,854,343
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%
OPEB				
Contractually Required Contributions	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contributions	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
District Covered-Employee Payroll	$7,881,957	$7,444,800	$6,916,857	$6,854,343
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information and accountant's report.

2015	2014	2013
$977,498	$846,196	$900,809
(977,498)	(846,196)	(900,809)
$0	$0	$0
$6,982,129	$6,509,200	$6,929,300
14.00%	13.00%	13.00%
$0	$65,092	$69,293
0	(65,092)	(69,293)
$0	$0	$0
$6,982,129	$6,509,200	$6,929,300
0.00%	1.00%	1.00%

NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms - For fiscal year 2019, there were no changes to benefit terms.

Changes in assumptions - For fiscal year 2019, there were no changes in assumptions.

Other Postemployment Benefits

Changes in benefit terms - For fiscal year 2019, there were no changes to benefit terms.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The municipal bond index rate increased from 3.56 percent to 3.62 percent.
- The single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63 percent to 3.70 percent.
- The medical trend assumption rate changes as follows:
    - Medicare – 2018 - 5.50 to 5.00 percent, 2019 - 5.375 to 4.75 percent
    - Pre-Medicare – 2018 - 7.50 to 5.00 percent, 2019 - 7.25 to 4.75

Changes in assumptions - For fiscal year 2019, there were no changes in assumptions.

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Pension

Changes in benefit terms - For fiscal year 2019, there were no changes to benefit terms.

Changes in assumptions - For fiscal year 2019, there were no changes in assumptions.

Other Postemployment Benefits

Changes in Benefit Terms

For fiscal year 2019, the following was the most significant change in benefit terms that affected the total OPEB liability since the prior measurement date:

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

NOTE 2 - <u>STATE TEACHERS RETIREMENT SYSTEM OF OHIO</u> - Continued

Changes in Assumptions

For Fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate increased from a 4.13 percent blended discount rate to 7.45 percent.
- The health care trend assumption rate changed from 6 to 11 percent initial, 4.5 percent ultimate to:
    - Medical Medicare – 6 percent initial, 4 percent ultimate
    - Medical Pre-Medicare – 5 percent initial, 4 percent ultimate
    - Prescription Drug Medicare – 8 percent initial, 4 percent ultimate
    - Prescription Drug Pre-Medicare-5.23 percent initial, 4 percent ultimate

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CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Commodities)			
National School Lunch Program	10.555	172OH062N1099	$61,678
Cash Assistance			
School Breakfast Program	10.553	172OH062N1099	43,906
National School Lunch Program	10.555	172OH062N1099	230,925
Total Nutrition Cluster			336,509
Total U.S. Department of Agriculture			336,509
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I Grants to Local Educational Agencies	84.010	S010A160035	194,804
Special Education Cluster:			
Special Education Grants to States	84.027	H027A160111	314,251
Special Education Preschool Grants	84.173	H173A160119	8,921
Total Special Education Cluster			323,172
Supporting Effective Instruction State Grants	84.367	S637A160034	42,547
Student Support and Academic Enrichment Program	84.424		1,550
Total U.S. Department of Education			562,073
Total Expenditures of Federal Awards			**$898,582**

The accompanying notes are an integral part of this schedule.

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE
KEITH FABER

Corporate Centre of Blue Ash
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Blue Ash, Ohio 45242-1817
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Carlisle Local School District
Warren County
724 Fairview Drive
Carlisle, Ohio 45005

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carlisle Local School District, Warren County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 16, 2020

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

Carlisle Local School District
724 Fairview Drive
Carlisle, Ohio 45005

To the Board of Education:

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on each Major Federal Program

In our opinion, Carlisle Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State

Columbus, Ohio

March 16, 2020

CARLISLE LOCAL SCHOOL DISTRICT
WARREN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #10.553/#10.555 – Child Nutrition Cluster CFDA #84.367 – Supporting Effective Instruction
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

FINDING NUMBER 2019-001
(Continued)

We identified the following conditions related to the District's financial statements at June 30, 2019:

- Interest receipts were not recorded in the accounting system, resulting in an understatement of Interest revenue of $26,662 in the Classroom Facilities Fund.

- Interest receipts were not recorded in the accounting system, resulting in an understatement of Interest revenue of $13,132 in the Building Fund.

- Income tax receipts were posted at the net amount rather than the gross amount, resulting in an understatement of both Income Tax revenues and expenditures of $155,737 in the General Fund.

- The District reported an incorrect balance for the US Bank Construction Bond account resulting in an understatement in Equity in Pooled Cash and Cash Equivalents of $105,405.

- The District understated Pension expense by $100,535, overstated Deferred Inflows – Pension by $318,948, understated Deferred Outflows – Pension by $77,246, and understated both Cash and Cash Equivalents and Miscellaneous revenue by $65,612, resulting in an understatement of Net Position by $75,555.

The financial statements, and accounting records where appropriate, have been adjusted for these errors.

The District did not monitor the accounting and financial reporting process in the areas identified in this condition, which resulted in a misstatement requiring audit adjustments.

We recommend due care be exercised when posting entries to the accounting system. District officials should review monthly bank statements to ensure the correct amount of interest is being posted each month and review income tax remittance statements from the Ohio Department of Taxation to ensure the correct amount of income tax is being posted each month.

Officials' Response:

The Treasurer will post only interest earned on the School District's accounts as interest revenue, and will not reflect changes in the market value of investments as adjustments to interest revenue. The Treasurer will be responsible for the accuracy of the transactions.

Carlisle Local Schools

724 Fairview Drive * Carlisle, Ohio 45005 * Warren County * 937-746-0710

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

Finding Number	**Finding Summary**	**Status**	**Additional Information**
2018-001	Posting Transactions	Partially Corrected	Interest income was not properly posted in fiscal year 2019. All other improper postings in fiscal year 2018 were corrected.

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Carlisle Local Schools

724 Fairview Drive ∗ Carlisle, Ohio 45005 ∗ Warren County ∗ 937-746-0710

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

Finding Number:	2019-001
Planned Corrective Action:	Interest to be properly recorded
Anticipated Completion Date:	6/30/2020
Responsible Contact Person:	Dan Bassler, Treasurer

The Treasurer will post only interest earned on the School District’s accounts as interest revenue, and will not reflect changes in the market value of investments as adjustments to interest revenue. The Treasurer will be responsible for the accuracy of the transactions.

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OHIO AUDITOR OF STATE
KEITH FABER

CARLISLE LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2020