LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

TABLE OF CONTENTS

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

TABLE OF CONTENTS
(Continued)

OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

London City School District
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

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 January 31, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

January 31, 2020

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

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Net position of governmental activities increased $2.0 million.
- General revenues totaled $22.5 million and program specific revenues in the form of charges for services and sales, grants, and contributions totaled $2.9 million. Total revenues equaled $25.4 million.
- The District had $23.4 million in expenses related to governmental activities; only $2.9 million of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues (primarily grants, entitlements, property taxes, and income taxes) totaling $22.5 million were sufficient in providing for the balance of these programs.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are the General Fund and Debt Service Fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during fiscal year 2019?"

The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and deferred outflows and liabilities and deferred inflows 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 fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in the District's net position. The change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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 major funds.

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

Proprietary Funds - Proprietary funds use the accrual basis of accounting; the same as on the entity-wide statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various funds. The District uses an internal service fund to account for dental claims and premiums. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Fiduciary Funds - The District's fiduciary funds are one private purpose trust fund and four agency funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately $23.2 million at the close of the current fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; 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 the capital assets themselves cannot be used to liquidate these liabilities.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position for fiscal year 2019 and fiscal year 2018:

District Net Position
Governmental Activities

	2019	2018
Current and Other Assets	$ 21,429,716	$ 19,948,333
Capital Assets, Net	42,580,512	44,207,847
Total Assets	64,010,228	64,156,180
Deferred Outflows of Resources	6,533,940	8,311,232
Current Liabilities	2,616,477	2,713,848
Long-Term Liabilities		
Net Pension Liability	22,826,020	24,792,903
Net OPEB Liability	2,018,270	5,422,566
Other Long-Term Liabilities	11,042,057	11,851,277
Total Liabilities	38,502,824	44,780,594
Deferred Inflows of Resources	8,815,006	6,417,308
Net Position:		
Net Investment in Capital Assets	32,316,045	32,980,775
Restricted	1,846,055	2,716,063
Unrestricted	(10,935,762)	(14,427,328)
Total Net Position	$ 23,226,338	$ 21,269,510

The net pension and net OPEB liabilities, net OPEB asset, and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Capital Assets decreased significantly in comparison with the prior fiscal year-end. This decrease represents the amount in which current year depreciation exceeded current year capital acquisitions.

Other Long-Term Liabilities decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of principal payments during the fiscal year.

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

Change in Net Position
Governmental Activities

Revenues:	2019	2018
Program Revenues		
Charges for Services	$ 1,358,764	$ 1,405,034
Operating Grants and Contributions	1,480,515	1,416,175
Capital Grants and Contributions	72,583	80,300
Total Program Revenues	2,911,862	2,901,509
General Revenues		
Property Taxes	7,993,549	7,929,519
Income Taxes	3,936,796	3,554,413
Revenue in Lieu of Taxes	98,604	70,540
Grants and Entitlements	9,886,059	10,022,607
Investment Earnings	230,995	82,910
Other Revenue	321,591	175,007
Total General Revenue	22,467,594	21,834,996
Total Revenues	25,379,456	24,736,505
Expenses:		
Program Expenses		
Instruction	13,829,465	8,104,372
Support Services	7,820,168	5,586,642
Non-Instructional	839,416	708,876
Extracurricular Activities	734,843	732,476
Interest and Fiscal Charges	198,736	211,598
Total Expenses	23,422,628	15,343,964
Changes in Net Position	1,956,828	9,392,541
Net Position at Beginning of Year	21,269,510	11,876,969
Net Position at End of Year	$ 23,226,338	$ 21,269,510

Total Expenses increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in pension/OPEB expense from negative $8.5 million in fiscal year 2018 to negative $692,653 in fiscal year 2019. This increase is primarily the result of changes in benefit terms, changes in actuarial assumptions, and a decrease in returns on pension plan investments.

The following table indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2019 to 2018 follows:

	Fiscal Year 2019		Fiscal Year 2018	
Program Expenses	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 13,829,465	$ 12,010,561	$ 8,104,372	$ 6,294,229
Support Services	7,820,168	7,801,591	5,586,642	5,559,828
Non-Instructional	839,416	124,818	708,876	7,903
Extracurricular Activities	734,843	375,060	732,476	368,897
Interest and Fiscal Charges	198,736	198,736	211,598	211,598
Total Expenses	$ 23,422,628	$ 20,510,766	$ 15,343,964	$ 12,442,455

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Program revenues offset only 12 percent of expenses, relying on 88 percent support from general revenues. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of $12.4 million, an increase of $247,262 in comparison with the prior year. Of this amount, approximately $7.2 million constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it is; (1) not in spendable form ($47,620); (2) restricted for specific purposes ($2.0 million); (3) committed for specific purposes ($136,972); or (4) assigned to specific purposes ($3.0 million).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2019 and 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Increase (Decrease)
General Fund	$ 10,521,675	$ 9,577,923	$ 943,752
Debt Service Fund	1,433,366	1,350,960	82,406
Other Governmental Funds	471,124	1,250,020	(778,896)
Total	$ 12,426,165	$ 12,178,903	$ 247,262

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was $7.3 million, while total fund balance was $10.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36 percent of total general fund expenditures, while total fund balance represents 51 percent of that same amount.

The Debt Service fund balance increased $82,406 during the current fiscal year. This increase represents the amount in which property taxes and related receipts exceeded debt service disbursements during the fiscal year.

General Fund – Budget Highlights

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

For the General Fund, original and final estimated revenues and other financing sources were the same. The variance between final and actual estimated revenues and other financing sources was insignificant.

The variances between original and final estimated expenditures and other financing uses and final and actual expenditures and other financing uses were both insignificant.

Capital Assets

At fiscal year-end, the District had $42.6 million (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture, equipment and fixtures, vehicles, and textbooks and software, a decrease of $1.6 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation ($2.1 million) exceeded current year additions ($442,305).

See Note 11 to the basic financial statements for additional information on Capital Assets.

Debt

At fiscal year-end, the District's debt totaled $9.9 million, a decrease of $927,066 in comparison with the prior fiscal year. This decrease represents current year debt service ($883,978) and amortization of bond premiums ($43,088).

See Note 15 to the basic financial statements for additional information on long-term obligations.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions about this report or additional information, contact Kristine Blind, Treasurer of London City District, 380 Elm Street, London, Ohio 43140.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$ 8,929,886
Cash with Fiscal Agent	760,210
Property Taxes Receivable	8,181,848
Income Taxes Receivable	1,802,977
Revenue in Lieu of Taxes Receivable	168,500
Intergovernmental Receivable	136,052
Accrued Interest Receivable	14,998
Accounts Receivable	18,934
Prepaid Items	47,620
Net OPEB Asset	1,368,691
Non-Depreciable Capital Assets	524,550
Depreciable Capital Assets, Net	42,055,962
Total Assets	64,010,228
Deferred Outflows of Resources	
Pension	6,256,245
OPEB	277,695
Total Deferred Outflows of Resources	6,533,940
Liabilities:	
Accounts Payable	46,353
Accrued Wages and Benefits	1,875,399
Intergovernmental Payable	301,903
Unearned Revenue	14,439
Accrued Interest Payable	23,979
Claims Payable	354,404
Long-Term Liabilities:	
Due within One Year	1,083,076
Due in More Than One Year:	
Net Pension Liability	22,826,020
Net OPEB Liability	2,018,270
Other Amounts Due in More Than One Year	9,958,981
Total Liabilities	38,502,824
Deferred Inflows of Resources:	
Property and Other Taxes	4,428,416
Deferred Amount on Refunding	373,152
Pension	1,579,669
OPEB	2,433,769
Total Deferred Inflows of Resources	8,815,006
Net Position:	
Net Investment Capital Assets	32,316,045
Restricted for:	
Debt Service	1,438,491
Capital Projects	212,511
Classroom Facilities Maintenance	130,883
District Managed Student Activities	42,671
State and Federal Grants	21,009
Other Purposes	490
Unrestricted	(10,935,762)
Total Net Position	$ 23,226,338

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

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

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction				
Regular	$ 9,799,756	$ 670,525	$ 54,776	$ -
Special	3,894,935	266,248	818,440	-
Vocational	133,700	8,839	-	-
Other	1,074	76	-	-
Support Services				
Pupils	1,252,932	-	-	-
Instructional Staff	426,444	-	6,678	-
Board of Education	103,658	-	-	-
Administration	1,261,466	-	11,899	-
Fiscal	602,306	-	-	-
Business	180,886	-	-	-
Operation and Maintenance of Plant	2,799,274	-	-	-
Pupil Transportation	994,726	-	-	-
Central	198,476	-	-	-
Non-instructional Services				
Food Service	684,115	150,035	422,426	-
Other	165,874	-	142,137	-
Extracurricular Activities	724,270	263,041	24,159	72,583
Interest and Fiscal Charges	198,736	-	-	-
Total Governmental Activities	$ 23,422,628	$ 1,358,764	$ 1,480,515	$ 72,583

General Revenues:
Property Taxes Levied for:
General Purposes
Debt Service
Classroom Facilities Maintenance
Income Taxes
Revenue in Lieu of Taxes
Unrestricted Grants and Entitlements
Investment Earnings
Other General Revenues
Total General Revenues

Change in Net Position

Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position
Governmental Activities
$ (9,074,455)
(2,810,247)
(124,861)
(998)
(1,252,932)
(419,766)
(103,658)
(1,249,567)
(602,306)
(180,886)
(2,799,274)
(994,726)
(198,476)
(111,654)
(23,737)
(364,487)
(198,736)
$ (20,510,766)
6,893,333
953,096
147,120
3,936,796
98,604
9,886,059
230,995
321,591
22,467,594
1,956,828
21,269,510
$ 23,226,338

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 7,317,128	$ 1,006,256	$ 588,734	$ 8,912,118
Cash with Fiscal Agent	760,210	-	-	760,210
Receivables:				
Property Taxes	7,072,744	1,109,104	-	8,181,848
Revenue in Lieu of Taxes	168,500	-	-	168,500
Income Taxes	1,802,977	-	-	1,802,977
Intergovernmental	15,260	-	120,792	136,052
Accounts	7,534	-	11,400	18,934
Accrued Interest Receivable	14,998	-	-	14,998
Interfund	112,267	-	-	112,267
Prepaid Items	46,973	-	647	47,620
Total Assets	$ 17,318,591	$ 2,115,360	$ 721,573	$ 20,155,524
Liabilities:				
Current Liabilities:				
Accounts Payable	$ 33,226	$ -	$ 13,127	$ 46,353
Contracts Payable	-	-	-	-
Accrued Wages and Benefits Payable	1,787,643	-	87,756	1,875,399
Intergovernmental Payable	288,178	-	13,725	301,903
Compensated Absences Payable	33,442	-	-	33,442
Interfund Payable	-	-	112,267	112,267
Claims Payable	332,283	-	-	332,283
Total Liabilities	2,474,772	-	226,875	2,701,647
Deferred Inflows of Resources:				
Property and Other Taxes	3,775,526	652,890	-	4,428,416
Unavailable Revenue	546,618	29,104	23,574	599,296
Total Deferred Inflows of Resources	4,322,144	681,994	23,574	5,027,712
Fund Balances:				
Nonspendable:				
Prepaid Items	46,973	-	647	47,620
Restricted for:				
Debt Service	-	1,433,366	-	1,433,366
Capital Projects	-	-	212,511	212,511
Classroom Facilities Maintenance	-	-	130,883	130,883
District Managed Student Activities	-	-	42,671	42,671
State and Federal Grants	-	-	19,923	19,923
Other Purposes	-	-	490	490
Committed for:				
Termination Benefits	136,972	-	-	136,972
Assigned for:				
Public School Support	46,523	-	-	46,523
Instruction	13,918	-	-	13,918
Permanent Improvements	-	-	180,772	180,772
Future Appropriations	2,914,528	-	-	2,914,528
Support Services	56,039	-	-	56,039
Unassigned:	7,306,722	-	(116,773)	7,189,949
Total Fund Balances	10,521,675	1,433,366	471,124	12,426,165
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 17,318,591	$ 2,115,360	$ 721,573	$ 20,155,524

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

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

Total Governmental Fund Balances	$ 12,426,165
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.	42,580,512
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows in the funds.	
Property Taxes Receivable	233,364
Income Taxes Receivable	257,360
PILOT Receivable	70,000
Intergovernmental Receivable	23,574
Accrued Interest Receivable	14,998
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Net OPEB Asset	1,368,691
Deferred Outflows - Pension	6,256,245
Deferred Outflows - OPEB	277,695
Net Pension Liability	(22,826,020)
Net OPEB Liability	(2,018,270)
Deferred Inflows - Pension	(1,579,669)
Deferred Inflows - OPEB	(2,433,769)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	(18,792)
In the Statement of Activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(23,979)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes Payable	(617,475)
Bonds Payable	(8,925,000)
Deferred Amount on Refunding	(373,152)
Premium on Debt Issue	(348,840)
Compensated Absence Payable	(1,117,300)
	(11,381,767)
Net Position of Governmental Activities	$ 23,226,338

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$ 6,881,005	$ 951,900	$ 147,120	$ 7,980,025
Revenue in Lieu of Taxes	28,604	-	-	28,604
Income Taxes	3,924,324	-	-	3,924,324
Intergovernmental	9,669,783	216,276	1,529,298	11,415,357
Interest	198,436	-	17,561	215,997
Tuition and Fees	945,688	-	-	945,688
Extracurricular Activities	15,928	-	247,113	263,041
Customer Sales and Services	-	-	150,035	150,035
Donations and Contributions	20,177	-	96,742	116,919
All Other Revenue	159,352	-	3,745	163,097
Total Revenues	21,843,297	1,168,176	2,191,614	25,203,087
Expenditures:				
Instruction:				
Regular	9,249,572	-	146,585	9,396,157
Special	3,631,780	-	812,969	4,444,749
Vocational	123,090	-	-	123,090
Other	1,074	-	-	1,074
Support services:				
Pupils	1,407,788	-	-	1,407,788
Instructional Staff	492,409	-	6,674	499,083
Board of Education	103,117	-	-	103,117
Administration	1,439,734	-	-	1,439,734
Fiscal	588,240	21,228	-	609,468
Business	180,886	-	-	180,886
Operation and Maintenance of Plant	1,730,253	-	814,189	2,544,442
Pupil Transportation	991,068	-	141,176	1,132,244
Central	203,267	-	-	203,267
Non-instructional Services:				
Food Service	-	-	659,996	659,996
Other	-	-	164,774	164,774
Extracurricular Activities	395,336	-	412,844	808,180
Capital Outlay	-	-	213,520	213,520
Debt service:				
Principal	-	883,978	-	883,978
Interest and Fiscal Charges	-	278,595	-	278,595
Total Expenditures	20,537,614	1,183,801	3,372,727	25,094,142
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,305,683	(15,625)	(1,181,113)	108,945
Other Financing Sources (Uses):				
Sale of Capital Assets	1,600	-	-	1,600
Insurance Proceeds	-	-	136,717	136,717
Transfers In	-	98,031	265,500	363,531
Transfers Out	(363,531)	-	-	(363,531)
Total Other Financing Sources (Uses)	(361,931)	98,031	402,217	138,317
Net Change in Fund Balances	943,752	82,406	(778,896)	247,262
Fund Balance Beginning of Year	9,577,923	1,350,960	1,250,020	12,178,903
Fund Balance End of Year	$ 10,521,675	$ 1,433,366	$ 471,124	$ 12,426,165

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

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	$ 247,262
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital Outlay	442,305
Depreciation	(2,069,640)
The internal service fund used by management to charge the costs of insurance to individual expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	(12,217)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	13,524
Income Taxes	12,472
Other Revenue	70,000
Intergovernmental	(72,942)
Interest	14,998
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.	1,739,485
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.	(2,191,193)
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the Statement of Activities.	2,883,846
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, leases and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Principal Payments	883,978
Amortization of Bond Premium	43,088
Amortization of Loss on Refunding	35,539
Accrued Interest	1,232
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Increase in Compensated Absences	(84,909)
Change in Net Position of Governmental Activities	$ 1,956,828

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

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

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	$ 6,868,484	$ 6,868,484	$ 6,937,617	$ 69,133
Revenue in Lieu of Taxes	70,000	70,000	104	(69,896)
Income Taxes	3,602,243	3,602,243	3,685,064	82,821
Intergovernmental	9,981,640	9,981,640	9,661,912	(319,728)
Interest	90,000	90,000	142,234	52,234
Tuition and Fees	1,210,700	1,210,700	966,121	(244,579)
Customer Sales and Services	5,000	5,000	-	(5,000)
All Other Revenue	151,742	151,742	149,783	(1,959)
Total Revenues	21,979,809	21,979,809	21,542,835	(436,974)
Expenditures:				
Instruction:				
Regular	9,781,439	9,736,773	9,516,230	220,543
Special	4,053,175	3,895,644	3,807,406	88,238
Vocational	155,625	128,612	125,699	2,913
Other	3,500	1,099	1,074	25
Support services:				
Pupils	1,424,680	1,471,939	1,438,599	33,340
Instructional Staff	505,579	511,874	500,280	11,594
Board of Education	109,080	101,098	98,808	2,290
Administration	1,605,223	1,542,589	1,507,649	34,940
Fiscal	646,735	620,875	606,812	14,063
Business	179,734	185,378	181,179	4,199
Operation and Maintenance of Plant	1,748,716	1,895,310	1,852,380	42,930
Pupil Transportation	1,075,207	1,065,619	1,041,482	24,137
Central	213,753	217,818	212,884	4,934
Extracurricular Activities	376,320	378,549	369,975	8,574
Total Expenditures	21,878,766	21,753,177	21,260,457	492,720
Excess of Revenues Over (Under) Expenditures	101,043	226,632	282,378	55,746
Other Financing Sources (Uses):				
Sale of Capital Assets	3,500	3,500	1,600	(1,900)
Transfers Out	(300,000)	(473,341)	(560,651)	(87,310)
Advances In	-	-	31,835	31,835
Advances Out	-	(114,869)	(112,267)	2,602
Total Other Financing Sources (Uses)	(296,500)	(584,710)	(639,483)	(54,773)
Net Change in Fund Balance	(195,457)	(358,078)	(357,105)	973
Fund Balances at Beginning of Year	7,183,959	7,183,959	7,183,959	-
Prior Year Encumbrances Appropriated	129,313	129,313	129,313	-
Fund Balances at End of Year	$ 7,117,815	$ 6,955,194	$ 6,956,167	$ 973

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Current Assets:	
Cash and Cash Equivalents	$ 17,768
Total Current Assets	17,768
Total Assets	17,768
Current Liabilities:	
Claims Payable	22,121
Unearned Revenue	14,439
Total Current Liabilities	36,560
Total Liabilities	36,560
Net Position:	
Unrestricted	(18,792)
Total Net Position	$ (18,792)

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	$ 177,959
Total Operating Revenues	177,959
Operating Expenses:	
Purchased Services	19,744
Claims	170,432
Total Operating Expenses	190,176
Change in Fund Net Position and Operating Loss	(12,217)
Net Position Beginning of Year	(6,575)
Net Position End of Year	$ (18,792)

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	$ 177,770
Cash Payments for Contract Services	(19,744)
Cash Payments for Claims	(152,697)
Net Cash Provided by Operating Activities	5,329
Net Increase in Cash and Cash Equivalents	5,329
Cash and Cash Equivalents at Beginning of Year	12,439
Cash and Cash Equivalents at End of Year	$ 17,768
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	$ (12,217)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Claims Payable	17,735
Unearned Revenue	(189)
Net Cash Provided by Operating Activities	$ 5,329

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$ 12,800	$ 64,910
Total Assets	12,800	64,910
Liabilities		
Due to Students	-	56,093
Due to Others	-	8,817
Total Liabilities	-	$ 64,910
Net Position		
Held in Trust for Scholarships	$ 12,800	

See accompanying notes to the basic financial statements.

LONDON CITY SCHOOL DISTRICT
MADISON COUNTY

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
Additions:	
Gifts and Contributions	$ 77,000
Total Additions	77,000
Deductions:	
Scholarships Awarded	64,200
Total Deductions	64,200
Change in Net Position	12,800
Net Position at Beginning of Year	-
Net Position at End of Year	$ 12,800

See accompanying notes to the basic financial statements.

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NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The London City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. 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 federal guidelines.

The District serves an area of approximately 54 square miles. The District is located in Madison County and encompasses all of the City of London and portions of Deer Creek, Somerford, and Union Townships. It is staffed by 69 non-certificated employees and 153 certificated employees who provide services to 2,127 students. The District currently operates two instructional buildings and one bus garage.

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 the District, this includes general operations, food service, and student related activities of the District.

> Non-public Schools – Within the District boundaries, there is one non-public school. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Treasurer of the District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity 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 had no component units for the fiscal year ended June 30, 2019.

The District participates in seven organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, two as insurance purchasing pools, and one as a related organization. These organizations are the Metropolitan Educational Technology Association, Tolles Career and Technical Center, London Schools Foundation, Schools of Ohio Risk Sharing Authority, Ohio SchoolComp Workers' Compensation Group Rating Plan, Jefferson Health Plan, and London Public Library. These organizations are presented in Note 17 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 standards-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)

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities into 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.

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 a self-balancing set of accounts. All funds of the District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund - The General 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 balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The Debt Service Fund is used to account for and reports the accumulation of restricted property taxes received and the payment of general obligation bond principal and interest.

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

Internal Service Fund

The Internal Service Fund is used to account for money received from other funds as payment for providing dental insurance. Payments are made to a third-party administrator for claims payments, claims administration and stop-loss coverage.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for services. Operating expenses for internal service fund includes the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

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 has five fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students; an agency fund used to account for student managed activity programs; two agency funds used to account for revenues and expenditures related to benefits for the District's employees and an agency fund used to account for scholarship money for students.

Measurement Focus

Government-wide Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

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 and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that 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 60 days of fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, income tax, grants, accrued interest, tuition and fees, extracurricular activities, and customer sales and services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for pensions and other post-employment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include deferred amount on refunding, property taxes, unavailable revenue, pension, and OPEB.

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. This amount is only reported on the Statement of Net Position. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide Statement of Net Position and the governmental funds balance sheet. Unavailable revenue includes delinquent property taxes. These amounts are only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position (See Notes 12 and 13).

Expenses/Expenditures

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.

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

Cash and Cash Equivalents

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

All investments are reported at fair value, which is based on quoted market prices.

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 $198,436, which includes approximately $32,667 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are reported on the financial statements as cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments with an original maturity greater than three months at the time they are purchased are reported as investments.

Interfund Balances

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

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when paid.

Capital Assets

All capital assets of the District are general capital assets that are associated with 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.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The

District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not 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	15 - 50 years
Buildings and Improvements	15 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	8 years
Textbooks and Software	6 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the number of years an employee has been with the District. The entire compensated absences liability is reported on the government-wide financial statements.

Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

On the fund financial statements, bond premiums are reported as Other Financing Sources and issuance costs are reported as expenditures/expenses when the debt is issued. Accretion on the capital appreciation bonds is not reported.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure in the governmental fund financial statements when due.

Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

Net Position

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for unearned revenue.

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal 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 original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

Estimates

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

NOTE 3 – ACCOUNTABILITY

Accountability

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

Funds	Amounts
Food Services	$ (93,638)
Title VI-B Special Education	(18,215)
Title II-A Improving Teacher Quality	(4,273)

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

6. Transfers In and Transfers Out between the General Fund and the funds that were reclassified to the General Fund with the implementation of GASB 54 (GAAP basis). Since these funds are not required to be included in the General Fund Budgetary Statement, Transfers In and Transfers Out included (budget basis).

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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	$943,752
Adjustments:	
Revenue Accruals	(254,498)
Expenditure Accruals	(705,381)
Perspective Differences	(15,648)
Other Financing Sources and Uses	(227,552)
Encumbrances	(97,778)
Budget Basis	($357,105)

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Interim monies held by the District can be deposited or invested in the following securities:

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

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

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

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

7. The State Treasurer's investment pool (STAROhio); and

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

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

Cash with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2019 was $760,210. This amount is not included in the "deposits" or "investments" reported below.

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Deposits: Custodial credit risk for deposits is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, the carrying amount of the District's deposits was $4,245,823 and the bank balance was $4,571,386. Of the District's bank balance, $250,000 was covered by the Federal Depository Insurance Company (FDIC) and the remaining balance was uninsured and collateralized.

Ohio law requires that deposits either be insured or be protected by:

1. 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 percent of the deposits being secured; or

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

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

			Investment Maturities		
Investment Type	Fair Value	Percent of Total	Within 1 Year	2 to 3 Years	4 to 5 Years
Money Market Funds	5,482	0.12%	5,482	-	-
Federal Home Loan Mortgage	164,384	3.45%	164,384	-	-
Federal National Mortgage Assoc	826,302	17.35%	124,905	701,397	-
Commercial Paper	1,063,132	22.33%	1,063,132	-	-
Negotiable Certificates of Deposit	2,702,473	56.75%	493,707	1,718,332	490,434
Total	$ 4,761,773	100%	$ 1,851,610	$ 2,419,729	$ 490,434

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. All of the District's investments are reported at fair value and are valued in accordance with market quotations (Level 1 inputs) or valuation methodologies from financial industry services believed to be reliable (Level 2 inputs).

Interest Rate Risk: The District's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: All of the District's federal agency securities were rated AA and the District's commercial paper was rated A. The District's investments in negotiable certificates of deposit and money market fund were unrated. The District's policy does not address credit risk.

Concentration of Credit Risk: The District's investment policy follows State statute, which limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time.

NOTE 6 – PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 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 is currently assessed at varying percentages of true value.

The District receives property taxes from Madison County. The 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 includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance prior to June 30, 2019, was $3,162,958 in the General Fund and $427,110 in the Debt Service Fund. The District did not take any advances on these amounts prior to June 30, 2019. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been recorded as a deferred inflow of resources.

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
Real Estate	$338,916,600	95.20%	$339,743,260	94.85%
Public Utility Personal	17,098,410	4.80%	18,443,680	5.15%
Total Assessed Value	$356,015,010	100.00%	$358,186,940	100.00%
Tax rate per $1,000 of assessed valuation	$40.30		$40.30	

NOTE 7 – INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The District passed an income tax renewal on May 4, 2010. The renewal levy was renewed on November 4, 2014 and will expire during fiscal year 2021. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 – TAX ABATEMENTS

Under Community Reinvestment Area (CRA) and other property tax abatements entered into by the City of London, the District's property tax revenues were reduced by $96,141 during the fiscal year. Compensation payments received from the City during the fiscal year totaled $0. The amount receivable from other governments totaled $70,000 at fiscal year end.

NOTE 9 – RECEIVABLES

Receivables at June 30, 2019, consisted of property taxes, revenue in lieu of taxes, income taxes, intergovernmental grants and reimbursements, accounts, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of delinquent property and income taxes. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Foundation	$ 7,871
School Employees Retirement System	7,389
IDEA Special Education	64,133
Title I Disadvantage Children/Target Assistance	41,769
Title II-A Improving Teacher Quality	14,163
Title IV-A Student Support	727
Total Intergovernmental Receivables	$ 136,052

NOTE 10 – RISK MANAGEMENT

Property and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property, fleet, and liability insurance (For more information on SORSA, see Note 17).

NOTE 10 – RISK MANAGEMENT (continued)

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

Workers' Compensation

For fiscal year 2019, the District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate applies to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

Employee Dental Insurance

The District provides dental insurance to employees through Delta Dental. A claims liability of $22,121 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. Changes in the fund's claim liability for the past two years are as follows:

Fiscal Year Ending	6/30/2019	6/30/2018
Claims Liability beginning of year	$ 4,386	$ 3,049
Claims incurred and changes in estimate	170,432	139,584
Claims Paid	(152,697)	(138,247)
Claims liability end of year	$ 22,121	$ 4,386

Employee Group Medical Insurance

The District provides medical insurance to employees through the Jefferson Health Plan (the Plan). A claims liability of $332,283 at fiscal year-end in the general fund reflects an estimate of incurred but unpaid claims liability. The Plan has purchased stop loss coverage for individual employee claim amounts exceeding $1,500,000. This liability was estimated by a third party based on claims experience. Change in the fund's claim liability for the past year is as follows:

Fiscal Year Ending	6/30/2019	6/30/2018
Claims Liability beginning of year	$ 352,780	$ 357,082
Claims incurred and changes in estimate	2,293,448	2,418,638
Claims paid	(2,313,945)	(2,422,940)
Claims Liability end of year	$ 332,283	$ 352,780

NOTE 11 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 524,550	$ -	$ -	$ 524,550
Total Capital Assets, Not Being Depreciated	524,550	-	-	524,550
Capital Assets, Being Depreciated:				
Land Improvements	5,016,530	48,461	-	5,064,991
Buildings and Improvements	64,179,964	99,875	-	64,279,839
Furniture, Fixtures and Equipment	2,024,223	111,653	(64,090)	2,071,786
Vehicles	1,385,084	182,316	(61,975)	1,505,425
Textbooks and Software	666,735	-	-	666,735
Total Capital Assets, Being Depreciated	73,272,536	442,305	(126,065)	73,588,776
Less Accumulated Depreciation:				
Land Improvements	(3,481,386)	(157,878)	-	(3,639,264)
Building and Improvements	(23,095,300)	(1,737,127)	-	(24,832,427)
Furniture, Fixtures and Equipment	(1,229,117)	(121,139)	64,090	(1,286,166)
Vehicles	(1,116,701)	(53,496)	61,975	(1,108,222)
Textbooks and Software	(666,735)	-	-	(666,735)
Total Accumulated Depreciation	(29,589,239)	(2,069,640)	126,065	(31,532,814)
Total Capital Assets, Being Depreciated, Net	43,683,297	(1,627,335)	-	42,055,962
Capital Assets, Net	$ 44,207,847	$ (1,627,335)	$ -	$ 42,580,512

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 1,765,462
Support Services:	
Pupils	195
Instructional Staff	21,149
Administration	1,545
Operation and Maintenance of Plant	137,678
Pupil Transportation	58,689
Operation of Non-Instructional Services:	
Food Service Operations	30,689
Other	1,100
Extracurricular Activities	53,133
Total Depreciation Expense	$ 2,069,640

NOTE 12 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on 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.

On each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. This cost-of-living adjustment (COLA) shall not be less than 0% nor greater than 2.5%. COLA's have been suspended for calendar years 2018, 2019, and 2020.

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

The District's contractually required contribution to SERS was $344,662 for fiscal year 2019. Of this amount $22,515 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

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

The District’s contractually required contribution to STRS was $1,336,176 for fiscal year 2019. Of this amount, $200,982 is reported as an intergovernmental payable.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$4,097,732	$18,728,288	$22,826,020
Proportion of the Net Pension Liability - Current Measurement Date	0.0715488%	0.08517599%	
Proportion of the Net Pension Liability - Prior Measurement Date	0.0776576%	0.08483625%	
Change in Proportionate Share	-0.0061088%	0.0003397%	
Pension Expense	$239,110	$1,952,083	$2,191,193

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	$224,735	$432,306	$657,041
Change of assumptions	92,536	3,319,006	3,411,542
Change in proportionate share	40,273	466,551	506,824
District contributions subsequent to the measurement date	344,662	1,336,176	1,680,838
Total Deferred Outflows of Resources	$702,206	$5,554,039	$6,256,245
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$122,307	$122,307
Net difference between projected and actual earnings on pension plan investments	113,536	1,135,663	1,249,199
Change in proportionate share	208,163	0	208,163
Total Deferred Inflows of Resources	$321,699	$1,257,970	$1,579,669

$1,680,838 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

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	$205,017	$2,055,012	$2,260,029
2021	(62,421)	992,267	929,846
2022	(264,912)	142,930	(121,982)
2023	158,161	(230,316)	(72,155)
Total	$35,845	$2,959,893	$2,995,738

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

NOTE 12 – 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% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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.

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$5,771,965	$4,097,732	$2,694,000

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.00 percent

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

NOTE 12 – DEFINED BENEFIT PENSION PLANS (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	1.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$27,350,199	$18,728,288	$11,431,010

Changes Between Measurement Date and Report Date There were no changes in assumptions or benefit terms since the prior measurement date of June 30, 2017.

NOTE 13 – DEFINED BENEFIT OPEB PLANS

Net OPEB Asset/Liability

The net OPEB asset/liability reported on the statement of net position represents a asset/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.

The net OPEB asset/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 asset/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 asset/liability. Resulting adjustments to the net OPEB asset/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 asset/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 Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.50 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 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was $45,882.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $58,647 for fiscal year 2019. Of this amount $46,990 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.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

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

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB asset/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:

	SERS	STRS	Total
Proportionate Share of the Net OPEB (Asset)/Liability	$2,018,270	($1,368,691)	$649,579
Proportion of the Net OPEB Asset/Liability - Current Measurement Date	0.0787174%	0.08483625%	
Proportion of the Net OPEB Liability - Prior Measurement Date	0.0727496%	0.08517599%	
Change in Proportionate Share	0.0059678%	-0.0003397%	
OPEB Expense	$81,249	($2,965,095)	($2,883,846)

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	$ 32,945	$ 159,865	$ 192,810
Change in proportionate share	1,262	24,976	26,238
District contributions subsequent to the measurement date	58,647	-	58,647
Total Deferred Outflows of Resources	$ 92,854	$ 184,841	$ 277,695
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 79,744	$ 79,744
Changes of assumptions	181,326	1,864,950	2,046,276
Net difference between projected and actual earnings on pension plan investments	3,028	156,362	159,390
Change in proportionate share	148,359	-	148,359
Total Deferred Inflows of Resources	$ 332,713	$ 2,101,056	$ 2,433,769

$58,647 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.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

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	$ (100,500)	$ (342,956)	$ (443,456)
2021	(84,564)	(342,956)	(427,520)
2022	(34,090)	(342,956)	(377,046)
2023	(32,802)	(307,446)	(340,248)
2024	(33,011)	(294,990)	(328,001)
Thereafter	(13,539)	(284,911)	(298,450)
Total	$ (298,506)	$ (1,916,215)	$ (2,214,721)

Actuarial Assumptions - SERS

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

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

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

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

Sensitivity of the 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 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). 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 percent decreasing to 3.75 percent) and higher (8.25 percent decreasing to 5.75 percent) 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	$2,449,012	$2,018,270	$1,677,203

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (6.25% decreasing to 3.75%)	Current Discount Rate (7.25% decreasing to 4.75%)	1% Increase (8.25% decreasing to 5.75%)
District's proportionate share of the net OPEB liability	$1,628,374	$2,018,270	$2,534,563

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
Payroll Increases	3.00 percent
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Health Care Cost Trends	
Pre-Medicare	6.00 percent initial, 4.00 percent ultimate
Medicare	5.00 percent initial, 4.00 percent ultimate
Prescription Drug Cost Trends	
Pre-Medicare	8.00 percent initial, 4.00 percent ultimate
Medicare	negative 5.23 percent initial, 4.00 percent ultimate

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

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

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

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:

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected 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' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	($1,173,097)	($1,368,691)	($1,533,079)

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	($1,523,799)	($1,368,691)	($1,211,167)

NOTE 13 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

NOTE 14 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and 10 month administrators 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 350 days for all employees who earn sick leave.

Employees who have been employed by the District for a minimum of 10 consecutive years at the time of retirement are entitled to retirement severance pay. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit. In addition, beginning July 1, 1986 and each contract year thereafter, a bargaining unit member may accrue one additional day of severance pay for each contract year that the bargaining member used zero days of sick leave and personal leave.

Employee Benefits

The District offers health insurance to its employees through the Jefferson Health Plan. Vision insurance is offered through Vision Services Plan. The provider for life insurance is Mutual of Omaha. The District provides dental insurance through a self-insurance program.

Deferred Compensation

District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 15 – LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/18	Additions	Deductions	Principal Outstanding 6/30/19	Amounts Due Within One Year
Governmental Activities:					
Energy Conservation Notes Series 2013 - 2.70%	120,000	-	20,000	100,000	25,000
ARRA State Energy Program Loan - 1.00%	566,453	-	48,978	517,475	49,469
London Refunding Series 2015A					
Serial Bonds - 1.25% - 3.00%	7,210,000	-	815,000	6,395,000	830,000
Premium on Refunding Series 2015A	293,504	-	34,530	258,974	-
London Refunding Series 2015B					
Serial Bonds - 3.25%	2,530,000	-	-	2,530,000	-
Premium on Refunding Series 2015B	98,424	-	8,558	89,866	-
Total Bonds and Notes	10,818,381	-	927,066	9,891,315	904,469
Net Pension Liability					
SERS	4,639,870	-	542,138	4,097,732	-
STRS	20,153,033	-	1,424,745	18,728,288	-
Total Net Pension Liability	24,792,903	-	1,966,883	22,826,020	-
Net OPEB Liability					
SERS	2,112,568	-	94,298	2,018,270	-
STRS	3,309,998	-	3,309,998	-	-
Total Net OPEB Liability	5,422,566	-	3,404,296	2,018,270	-
Compensated Absences	1,032,896	172,637	54,791	1,150,742	178,607
Total Governmental Activities Long-Term Obligations	$ 42,066,746	$ 172,637	$ 6,353,036	$ 35,886,347	$ 1,083,076

The District pays bond and note obligations from the Debt Service Fund, obligations related to employee pension from the fund benefitting from the employee's service, and obligations related to compensated absences from the General Fund.

London Refunding Series Bonds 2005 - On October 13, 2005, the District issued $7,784,909 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds.

The serial bonds originally issued in the amount of $6,125,000 have maturity dates of December 1, 2005, to December 1, 2019, and December 1, 2024, to December 1, 2029. During fiscal year 2016, the outstanding balance of the serial bonds ($4,840,000) was currently refunded with the issuances of the General Obligation Refunding Bonds – Series 2015A and 2015B.

The term bonds originally issued in the amount of $750,000, will mature on December 1, 2020, 2021, 2022, and 2023. During fiscal year 2016, the outstanding balance of the term bonds ($750,000) was currently refunded with the issuance of the General Obligation Refunding Bonds – Series 2015A.

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

London Refunding Series Bonds 2006 - On January 5, 2006, the District issued $8,159,955 in General Obligation Bonds to advance refund a portion of the outstanding School Facilities Construction and Improvement 2001 General Obligation Bonds.

The serial bonds issued at $6,090,000 have maturity dates of December 1, 2006, to December 1, 2013, December 1, 2015 to December 1, 2016, and December 1, 2019 to December 1, 2022. During fiscal year 2016, the outstanding balance of the term bonds ($4,880,000) was currently refunded with the issuance of the General Obligation Refunding Bonds – Series 2015A.

The term bonds issued at $1,070,000 will mature on December 1, 2017 and 2018. During fiscal year 2016, the outstanding balance of the term bonds ($1,070,000) was currently refunded with the issuance of the General Obligation Refunding Bonds – Series 2015A.

Energy Conservation Notes Series 2013 - On July 25, 2013, the District issued $215,000 in Energy Conservation Notes for the purpose of constructing and install certain energy conservation improvements to existing school buildings and facilities. The notes carry an interest rate of 2.70% and have a final maturity date of June 1, 2023.

ARRA State Energy Program Loan - On August 29, 2013, the District took out a loan in the amount of $796,968 for the purpose of constructing and install certain energy conservation improvements to existing school buildings and facilities. Payments on the loan are due semiannually in the amount of $27,260 with the final payment due August 15, 2028.

London Refunding Series Bonds 2015A - On September 3, 2015, the District issued $8,950,000 in General Obligation Bonds to refund a portion of the outstanding General Obligation Refunding Bonds Series 2005 and all the outstanding General Obligation Refunding Bonds Series 2006. The serial bonds will mature on December 1, 2015 through December 1, 2026. This refunding resulted in cash flow savings and an economic gain of $710,737.

London Refunding Series Bonds 2015B – On September 3, 2015, the District issued $2,530,000 in General Obligation Bonds to refund the remaining portion of the outstanding General Obligation Refunding Bonds Series 2015. The serial bonds will mature on December 1, 2027 through December 1, 2029. This refunding also resulted in cash flow savings and an economic gain of $323,869.

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	$ 904,469	$ 262,927	$ 1,167,396
2021	919,965	241,942	1,161,907
2022	945,466	215,166	1,160,632
2023	935,972	188,161	1,124,133
2024	771,483	163,403	934,886
2025-2029	4,195,120	466,584	4,661,704
2030	870,000	14,138	884,138
Total	$ 9,542,475	$ 1,552,321	$ 11,094,796

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2019, are a voted debt limit of $32,236,825 and an unvoted debt limit of $358,187. Neither limit was exceeded as of June 30, 2019.

NOTE 16 – INTERFUND ACTIVITY

Interfund balances at fiscal year-end consist of the following interfund receivable and payable:

Payable	Receivable General Fund
Other Governmental Funds:	
Food Service	$ 37,441
IDEA Special Education	27,703
Title I Disadvantage Children/Target Assistance	41,695
Title II-A Improving Teacher Quality	5,428
Total Interfund Receivables	$ 112,267

The amounts due to the General Fund are the result of the District moving unrestricted monies to support grant funds. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

NOTE 16 – INTERFUND ACTIVITY (continued)

Interfund transfers for fiscal year 2019 were as follows:

Transfers In	Transfers Out General Fund
Debt Service Fund	$ 98,031
Other Governmental Funds:	
Permanent Improvement	150,000
District Managed Student Activities	115,500
Totals	$ 363,531

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, INSURANCE PURCHASING POOLS, AND RELATED ORGANIZATION

Jointly Governed Organizations

META Solutions

The District participates in the META Solutions, a jointly governed organization. The organization is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. META Solutions helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of META Solutions is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee META Solutions to cover the costs of administering the programs. Financial information may be obtained from META Solutions at 2100 Citygate Dr., Columbus, OH 43219.

Tolles Career and Technical Center

The Tolles Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Tolles Career and Technical Center, Treasurer, 7877 U.S. Route 42 South, Plain City, Ohio 43064.

London Schools Foundation

The London Schools Foundation is a non-profit organization whose purpose is to raise funds for scholarships for the graduates of the District. The London Schools Foundation operates under the direction of a ten-member board consisting of representatives from area businesses, which are self- appointed, and two from the District's Board of Education. The Superintendent of the District serves as an ex-officio member. To obtain financial information, contact Jim Hunt, Treasurer, 72 Flax Dr, London, Ohio 43140.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, INSURANCE PURCHASING POOLS, AND RELATED ORGANIZATION (continued)

Insurance Purchasing Pools

Ohio SchoolComp Workers' Compensation Group Rating Plan

The District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the GRP. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

Jefferson Health Plan

The District is a participant with several other districts in an insurance purchasing pool operated through the Jefferson Health Plan. The Jefferson Health Plan was formed for the purpose of providing a cooperative program to administer medical benefits to employees and dependents of participating entities. The Jefferson Health plan is governed by a Board of Directors consisting of the superintendents of the member districts. The degree of control exercised by any participating district is limited to its representation on the Board.

Public Entity Shared Risk Pool

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 62 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The District pays an annual property, fleet, and liability insurance premium to SORSA, which totaled $85,614 for fiscal year 2019. Reinsurance is purchased to cover claims exceeding the coverage amount and for all claims related to equipment breakdown coverage. In the event that the District would withdraw from SORSA, the District would be required to give advance written notice prior to the end of their three-year contract. There is no penalty for early withdrawal and the District would not be held responsible for any outstanding claims.

Related Organization

London Public Library

The London Public Library, a related organization of the District, is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the London Public Library, Rebecca Stickel, Fiscal Officer, 20 E. First Street, London, Ohio 43410.

NOTE 18 – SET-ASIDES

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

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

	Capital Acquisitions
Set-aside Balance as of June 30, 2018	$0
Current Fiscal Year Set-aside Requirement	375,848
Prior Year Offset from Bond Proceeds	(375,848)
Set-aside Balance as of June 30, 2019	$0
Carried Forward to Fiscal Year 2020	$0

During fiscal year 2002, the District issued $29,910,000 in capital-related debt based on a building project undertaken by the District. These proceeds may be used as an offset to the capital acquisition set-aside requirement for future years. At fiscal year-end, the District still has $28,739,675 in capital-related debt offsets that may be used to reduce the set-aside requirement for future years.

NOTE 19 – CONTINGENCIES

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2019, if applicable, cannot be determined at this time.

Litigation

The District is not party to any legal proceedings.

State Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2019 have been finalized. The impact of the FTE adjustments to the District was $18.

NOTE 20 – CONTRACTUAL COMMITMENTS

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end were as follows:

	Encumbrances
General Fund	$ 97,778
Other Governmental Funds	55,226
Total	$ 153,004

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year ending June 30, 2019, the District has implemented the following:

GASB Statement No. 83 "Certain Asset Retirement Obligations" will enhance comparability of financial statements among governmental by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported. The implementation of this statement did not have an effect on the financial statements of the District.

GASB Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" improves the information that is disclosed in the notes of the governmental financial statements related to debt, including debt borrowings and direct placements. This statement also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have an effect on the financial statements of the District.

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REQUIRED SUPPLEMENTARY INFORMATION

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.0715488%	0.0776576%	0.077874%	0.074219%	0.074911%	0.074911%
District's Proportionate Share of the Net Pension Liability	$ 4,097,732	$ 4,639,870	$ 5,699,644	$ 4,234,980	$ 3,791,203	$ 4,454,717
District's Covered Payroll	$ 2,389,677	$ 2,528,629	$ 2,433,693	$ 2,639,294	$ 2,209,469	$ 2,063,653
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.48%	183.49%	234.20%	160.46%	171.59%	215.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.08517599%	0.08483625%	0.084499%	0.082286%	0.080568%	0.080568%
District's Proportionate Share of the Net Pension Liability	$ 18,728,288	$ 20,153,033	$ 28,284,486	$ 22,741,524	$ 19,597,043	$ 23,343,869
District's Covered Payroll	$ 9,544,118	$ 9,564,757	$ 9,110,500	$ 9,007,379	$ 8,474,197	$ 8,625,318
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	196.23%	210.70%	310.46%	252.48%	231.26%	270.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually Required Contribution	$ 344,662	$ 322,607	$ 354,008	$ 340,717
Contributions in Relation to the Contractually Required Contribution	$ 322,147	$ 322,607	$ 354,008	$ 340,717
Contribution Deficiency (Excess)	$ 22,515	$ -	$ -	$ -
Covered Payroll	$ 2,553,050	$ 2,389,677	$ 2,528,629	$ 2,433,693
Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015		2014		2013		2012		2011		2010	
$	347,859	$	330,326	$	285,610	$	292,277	$	130,473	$	486,455
$	347,859	$	330,326	$	285,610	$	292,277	$	130,473	$	486,455
$	-	$	-	$	-	$	-	$	-	$	-
$	2,639,294	$	2,383,304	$	2,063,653	$	2,173,066	$	1,037,971	$	3,592,725
	13.18%		13.86%		13.84%		13.45%		12.57%		13.54%

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSON CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually Required Contribution	$ 1,336,176	$ 1,322,492	$ 1,339,066	$ 1,275,470
Contributions in Relation to the Contractually Required Contribution	$ 1,135,194	$ 1,322,492	$ 1,339,066	$ 1,275,470
Contribution Deficiency (Excess)	$ 200,982	$ -	$ -	$ -
Covered Payroll	$ 9,544,118	$ 9,446,374	$ 9,564,757	$ 9,110,500
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 1,261,033	$ 1,188,414	$ 1,121,291	$ 1,164,436	$ 1,344,215	$ 1,310,173
$ 1,261,033	$ 1,188,414	$ 1,121,291	$ 1,164,436	$ 1,344,215	$ 1,310,173
$ -	$ -	$ -	$ -	$ -	$ -
$ 9,007,379	$ 9,141,646	$ 8,625,318	$ 8,957,203	$ 10,340,115	$ 10,078,254
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	2019	2018	2017
District's Proportion of the Net OPEB Liability	0.0727496%	0.0787174%	0.0786227%
District's Proportionate Share of the Net OPEB Liability	$ 2,018,270	$ 2,112,568	$ 2,241,039
District's Covered Payroll	$ 2,389,677	$ 2,528,629	$ 2,433,693
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	84.46%	83.55%	92.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB ASSET/LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST THREE FISCAL YEARS (1)

	2019	2018	2017
District's Proportion of the Net OPEB Asset/Liability	0.08517599%	0.08483625%	0.08449937%
District's Proportionate Share of the Net OPEB (Asset)/Liability	$ (1,368,691)	$ 3,309,998	$ 4,519,048
District's Covered Payroll	$ 9,446,374	$ 9,564,757	$ 9,110,500
District's Proportionate Share of the Net OPEB Asset/Liability as a Percentage of its Covered Payroll	-14.49%	34.61%	49.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset/Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually Required Contribution (1)	$ 58,647	$ 81,112	$ 42,500	$ 38,357
Contributions in Relation to the Contractually Required Contribution	$ 11,657	$ 81,112	$ 42,500	$ 38,357
Contribution Deficiency (Excess)	$ 46,990	$ -	$ -	$ -
Covered Payroll	$ 2,553,050	$ 2,389,677	$ 2,528,629	$ 2,433,693
Contributions as a Percentage of Covered Payroll (1)	2.30%	3.39%	1.68%	1.58%

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ 56,615	$ 57,325	$ 40,044	$ 44,986	$ 67,211	$ 70,838
$ 56,615	$ 57,325	$ 40,044	$ 44,986	$ 67,211	$ 70,838
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,639,294	$ 2,383,304	$ 2,063,653	$ 2,173,066	$ 1,037,971	$ 3,592,725
2.15%	2.41%	1.94%	2.07%	6.48%	1.97%

LONDON CITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually Required Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	$ -	$ -	$ -	$ -
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 9,544,118	$ 9,446,374	$ 9,564,757	$ 9,110,500
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

2015	2014	2013	2012	2011	2010
$ -	$ 84,742	$ 86,253	$ 89,572	$ 103,401	$ 100,783
$ -	$ 84,742	$ 86,253	$ 89,572	$ 103,401	$ 100,783
$ -	$ -	$ -	$ -	$ -	$ -
$ 9,007,379	$ 9,141,646	$ 8,625,318	$ 8,957,203	$ 10,340,115	$ 10,078,254
0.00%	0.93%	1.00%	1.00%	1.00%	1.00%

NOTE 1 – NET PENSION LIABILITY

School Employees Retirement System

Changes in benefit terms:

Fiscal year 2018 The cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions:

Fiscal year 2017 The SERS Board adopted several assumption changes, including changes to:

- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll Growth Assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five- year age set-back for both males and females. The above rates represent the base rates used.
- Mortality among service retired members, and beneficiaries was updated to the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates.
- Mortality among disable member was updated to the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

State Teachers Retirement System

Changes in benefit terms:

Fiscal year 2018 The cost-of-living adjustment was reduced to zero.

Changes in assumptions:

Fiscal year 2018 The STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

NOTE 2 – NET OPEB ASSET/LIABILITY

School Employees Retirement System

Changes in Assumptions:

Fiscal year 2019 The discount rate used to measure the total OPEB liability was increased from 3.63% to 3.70% and the municipal bond rate was increased from 3.56% to 3.62%.

Fiscal year 2018 The discount rate used to measure the total OPEB liability was increased from 2.98% to 3.63% and the municipal bond rate was increased from 2.92% to 3.56%.

State Teachers Retirement System

Changes in benefit terms:

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

Fiscal year 2018 The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in Assumptions:

Fiscal year 2019 The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

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

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LONDON CITY SCHOOL DISTRICT
MADISON 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**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
Child Nutrition Cluster		
Cash Assistance:		
School Breakfast Program	10.553	81,934
National School Lunch Program	10.555	293,555
Non-cash Assistance:		
National School Lunch Program	10.555	41,056
Total Child Nutrition Cluster		416,545
Total U.S. Department of Agriculture		**416,545**
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	450,708
Special Education Cluster		
Special Education Grants to States	84.027	412,523
Special Education Preschool Grants	84.173	19,767
Total Special Education Cluster		432,290
Improving Teacher Quality State Grants	84.367	56,254
Student Support and Academic Enrichment Program	84.424	6,544
Total U.S. Department of Education		**945,796**
Total Expenditures of Federal Awards		**$1,362,341**

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 the London City 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, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE
KEITH FABER

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

London City School District
Madison County
380 Elm Street, 2nd Floor
London, Ohio 43140

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 London City School District, Madison County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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. We consider finding 2019-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-001 described in the accompanying schedule of findings to be a significant deficiency.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-002.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

January 31, 2020

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

London City School District
Madison County
380 Elm Street
London, Ohio 43140

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited London City 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 London City School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State

Columbus, Ohio

January 31, 2020

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

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

FINDING NUMBER 2019-001

Noncompliance and Significant Deficiency – Budgetary Process

Ohio Rev Code § 5705.39 states, in part "no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate".

Ohio Rev. Code §5705.40 states, in part "any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation."

The Board of Education approved amendments to the District's appropriations. However, information was not submitted to the County Budget Commission.

FINDING NUMBER 2019-001
(Continued)

Additionally, the District's budgetary statements and internal accounting ledgers should reflect what is certified to and approved by the County.

During the audit period the following deficiencies were noted:

- The District did not provide the County Budget Commission with any of their approved appropriation measurers,
- The District did not update the accounting system to reflect the amended appropriations,
- The District provided the financial statement preparer with inaccurate budgetary information for the compilation of the District's Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual for the General Fund.

Not providing the County Auditor with accurate budgetary information and failing to accurately record appropriations in the District's accounting system could result in the District expending more money than received and potentially having negative fund balances.

In addition, the following corrections/adjustments were made to the District's Statement of Revenues, Expenditures, and Changes in fund balance, Budget and Actual for the General Fund:

Instruction:	Final Amount	Adjusted	Variance
Regular	$9,618,465	$9,693,254	$(74,789)
Special	3,932,575	3,878,233	54,342
Vocational	126,165	128,037	(1,872)
Other	1,149	1,094	55
Support Services:			
Pupil	1,446,704	1,465,360	(18,656)
Instructional Staff	504,042	509,586	(5,544)
Board of Education	113,455	100,646	12,809
Administration	1,512,315	1,535,695	(23,380)
Fiscal	624,762	618,100	6,662
Business	181,229	184,549	(3,320)
Operation and Maintenance of Plan	1,906,734	1,886,839	19,895
Pupil Transportation	1,067,452	1,060,856	6,596
Central	213,657	216,844	(3,187)
Extracurricular Activities	370,634	376,857	(6,223)
Other Financing (Uses):			
Transfers Out	(560,651)	(571,080)	(10,429)
Advances Out	-	(114,355)	(114,355)

Although the District has various controls over financial reporting, the identified audit adjustments suggest controls may not be effective or operating as management intended. By not properly accounting for all financial activity, inaccurate financial reports could be disseminated to the governing board and management, as well as, the users of the financial statements.

We recommend the District submit all approved appropriation measures to the County Budget Commission for certification and update their internal accounting system accordingly. In addition, the District should review control procedures over the preparation of the financial statements to help ensure accurate financial information is presented.

FINDING NUMBER 2019-001
(Continued)

Officials' Response:

See corrective action plan.

FINDING NUMBER 2019-002

Noncompliance/Material Weakness- Financial Statement Presentation-

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.

Ohio Rev. Code § 5705.05 states, in part, that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and payment of judgements, but excluding the payment of debt charges.

Ohio Rev. Code § 5705.10(A) states, all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

The District incorrectly recorded $98,031 of General Fund property tax receipts within the Debt Service Fund which resulted in adjustments to the financial statements to record the receipt in the proper fund and reporting a transfer from the General Fund to the Debt Service Fund.

Additionally, GASB Statement No. 54 requires fund balances be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The District incorrectly evaluated the funding sources within the Permanent Improvement fund. This error resulted in misclassifications of $180,772 within the Statement of Net Position and Balance Sheet of Restricted rather than Unrestricted and Assigned.

The District lacks sound reporting, monitoring and review procedures to help ensure receipts, expenditures, and fund balances are properly classified on the financial statements. Presenting inaccurate financial information could result in modifications to the District's financial statements.

Failure to properly record revenue derived from the general levy could result in revenue used for expenses other than current general operating expenses as authorized by voters.

FINDING NUMBER 2019-002
(Continued)

We recommend the District review current policies and procedures to enhance controls over recording transactions and financial reporting to help ensure information accurately reflects the activity of the District increasing the reliability of the financial data throughout the year.

Officials' Response:

See corrective action plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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

Finding Number: 2019-001

Planned Corrective Action: The District understand the importance of proper accounting and reporting. The District will balance the accounting system appropriations to the board approved appropriations prior to closing each month. In addition, all approved appropriation measures will be submitted to the County Budget Commission promptly. Prompt receipt of the proper certification will be monitored and verified.

Anticipated Completion Date: 02/05/2020

Responsible Contact Person: Kristine Blind- Treasurer

Finding Number: 2019-002

Planned Corrective Action: The district will ensure that each transaction is recorded correctly into the proper funds and transfers are approved and completed for any general fund dollars needed for debt service payments. Additionally, the district will clearly communicate the purpose of funds within the Permanent Improvement to the preparer for proper classification on the financial statements.

Anticipated Completion Date: 02/05/2020

Responsible Contact Person: Kristine Blind- Treasurer

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OHIO AUDITOR OF STATE
KEITH FABER

LONDON CITY SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 27, 2020

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