AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY
JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Ayersville Local School District
Defiance County
28046 Watson Road
Defiance, Ohio 43512-8756

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 Ayersville Local School District, Defiance 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 Ayersville Local School District, Defiance County, Ohio, as of June 30, 2019, and the respective changes in financial position 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 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

Keith Faber
Auditor of State

Columbus, Ohio

April 9, 2020

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- The District's net position of governmental activities decreased $942,639 which represents a 5.31% decrease from 2018's net position.

- General revenues accounted for $7,842,981 or 72.32% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $3,002,363 or 27.68% of total revenues of $10,845,344.

- The District had $11,787,983 in expenses related to governmental activities; only $3,002,363 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements and restricted grants and entitlements) of $7,842,981 were not adequate to provide for these programs.

- The District's major governmental funds are the General Fund, Bond Retirement Fund, Building Fund and the Classroom Facilities Fund. The General Fund had $9,051,989 in revenues and other financing sources and $9,763,314 in expenditures and other financing uses. The General Fund's fund balance decreased $693,095 from $5,553,769 to $4,860,674.

- The Bond Retirement Fund had $636,896 in revenues and $677,039 in expenditures. The Bond Retirement Fund's fund balance decreased $40,143 from $262,481 to $222,338.

- The Building Fund had $829,252 in revenues and other financing sources and $1,602,529 in expenditures. The Building Fund's fund balance decreased $773,277 from $1,788,620 to $1,015,343.

- The Classroom Facilities Fund had $1,490,055 in revenues and $6,423,761 in expenditures. The Classroom Facilities Fund's fund balance decreased $4,933,706 from $5,360,394 to $426,688.

Using these Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the statement of net position and the statement of activities, the District's programs and services are reported as governmental activities, as most include instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities and governmental funds) is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds and one private-purpose trust fund. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2019 and June 30, 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Current and other assets	$ 12,358,652	$ 22,802,320
Capital assets, net	34,257,227	27,704,338
Total assets	46,615,879	50,506,658
Deferred outflows of resources		
Unamortized deferred charges on debt refunding	512,578	536,605
Pension	2,734,559	3,183,147
OPEB	188,103	161,152
Total deferred outflows of resources	3,435,240	3,880,904
Liabilities		
Current liabilities	1,946,273	5,242,110
Long-term liabilities:		
Due within one year	468,127	364,168
Due in more than one year:		
Net pension liability	9,514,652	9,952,659
Net OPEB liability	912,405	2,197,410
Other amounts	15,589,693	15,027,918
Total liabilities	28,431,150	32,784,265
Deferred inflows of resources		
Property taxes levied for next fiscal year	3,046,475	2,832,267
Pension	820,926	776,467
OPEB	948,890	248,246
Total deferred inflows of resources	4,816,291	3,856,980
Net position		
Net investment in capital assets	19,847,395	13,547,519
Restricted	1,658,413	9,346,088
Unrestricted (deficit)	(4,702,130)	(5,147,290)
Total net position	$ 16,803,678	$ 17,746,317

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

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

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

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

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

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

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

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

Analysis of Net Position

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $16,803,678.

Deferred outflows related to pension decreased primarily due to changes in assumptions by the State Teachers Retirement System (STRS).

Total assets include a net OPEB asset reported by STRS. STRS did not report a net OPEB asset in the prior year.

At year-end, capital assets represented 73.49% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. The District's net investment in capital assets at June 30, 2019 was $19,847,395. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

During fiscal year 2016, the District entered into a project agreement with the Ohio Facilities Construction Commission (OFCC) to construct a new PK-12 building. The OFCC's share of the project is $20,291,730. The District issued $13,661,198 in general obligation bonds to satisfy its funding requirement and for other locally funded initiatives. This project was ongoing throughout fiscal year 2019.

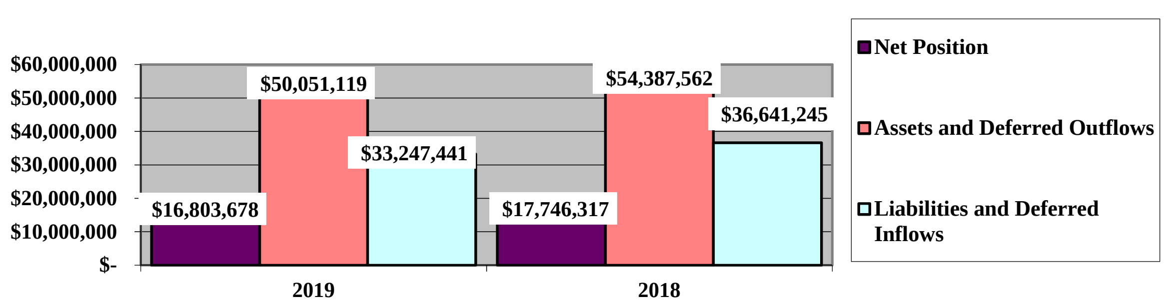
Deferred inflows related to OPEB increased primarily due to changes in assumptions by STRS.

Long-term liabilities decreased primarily due to a decrease in the net pension liability and net OPEB liability. These liabilities are outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions and OPEB to District employees, not the District.

A portion of the District's net position, $1,658,413 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of $4,702,130.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2019 and 2018.

Governmental Activities



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

Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenues		
Program revenues:		
Charges for services and sales	$ 2,359,070	$ 2,159,388
Operating grants and contributions	539,325	636,264
Capital grants and contributions	103,968	-
General revenues:		
Property taxes	3,094,047	3,142,948
Income taxes	965,805	916,009
Unrestricted grants and entitlements	3,475,746	3,558,597
Investment earnings	278,928	175,379
Miscellaneous	28,455	10,823
Total revenues	$ 10,845,344	$ 10,599,408

Charges for services and sales increased due to an increase in open enrollment tuition revenue. Income tax revenue increased due to lower unemployment. Investment earnings increased due to higher interest rates on the District's investments.

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Change in Net Position (Continued)

	Governmental Activities 2019	Governmental Activities 2018
Expenses		
Program expenses:		
Instruction:		
Regular	$ 4,863,838	$ 2,077,802
Special	792,934	534,554
Vocational	115,419	109,473
Other	645,930	548,477
Support services:		
Pupil	456,333	302,399
Instructional staff	379,457	307,490
Board of education	25,772	40,016
Administration	813,977	406,483
Fiscal	417,967	247,609
Operations and maintenance	1,056,371	681,666
Pupil transportation	352,451	211,448
Central	35,149	38,917
Operations of non-instructional services:		
Food service operations	482,701	264,724
Other non-instructional services	108,903	95,391
Extracurricular activities	657,802	247,025
Interest and fiscal charges	582,979	517,323
Total expenses	11,787,983	6,630,797
Change in net position	(942,639)	3,968,611
Net position at beginning of year	17,746,317	13,777,706
Net position at end of year	$ 16,803,678	$ 17,746,317

Governmental Activities

Net position of the District's governmental activities decreased by $942,639. Total governmental expenses of $11,787,983 were offset by program revenues of $3,002,363 and general revenues of $7,842,981. Program revenues supported 25.47% of the total governmental expenses.

Overall, expenses of the governmental activities increased $5,157,186 or 77.78%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

On an accrual basis, the District reported $810,716 and ($3,267,595) in pension expense for fiscal year 2019 and 2018, respectively. In addition, the District reported ($1,143,954) and ($329,958) in OPEB expense for fiscal year 2019 and 2018, respectively. The increase in both the net pension expense and the OPEB expense from fiscal year 2018 to fiscal year 2019 was $3,264,315. This increase is primarily the result of the benefit changes by the retirement systems. Fluctuations in the pension and OPEB expense makes it difficult to compare financial information between years. Pension and OPEB expense are components of program expenses reported on the statement of activities.

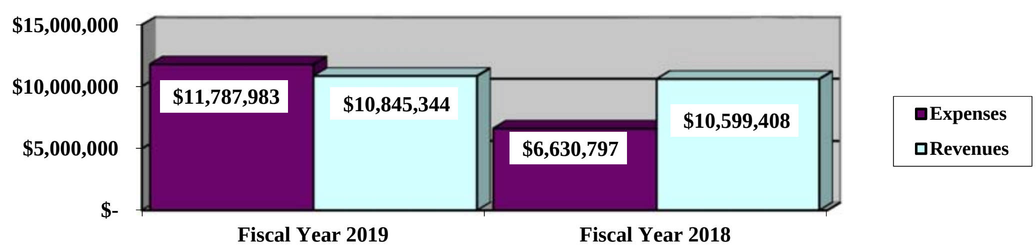
The District also recorded expenses in fiscal year 2019 for items related to the building construction project that were not capitalized because they were under the District's capitalization threshold of $1,500. This primarily consisted of loose furnishings.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources, in addition to the collection of the District's school district income tax, represent 69.48% of total governmental revenue. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled $6,418,121 or 54.45% of total governmental expenses for fiscal 2019.

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

Governmental Activities - Revenues and Expenses



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

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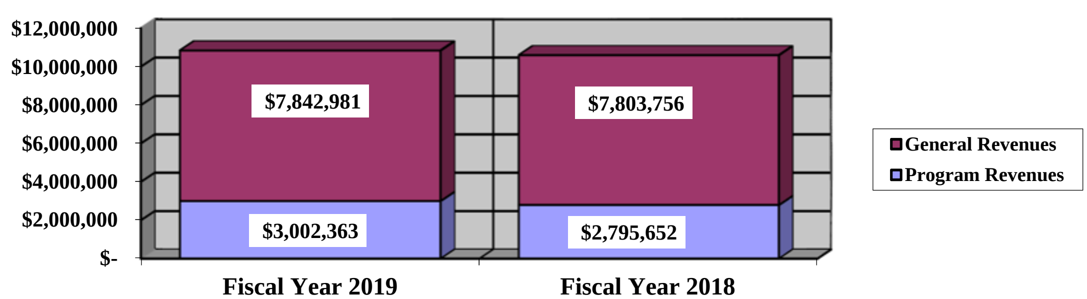
Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses				
Instruction:				
Regular	$ 4,863,838	$ 3,044,671	$ 2,077,802	$ 377,480
Special	792,934	381,087	534,554	134,407
Vocational	115,419	113,804	109,473	108,168
Other	645,930	586,442	548,477	492,037
Support services:				
Pupil	456,333	456,247	302,399	300,793
Instructional staff	379,457	369,413	307,490	286,725
Board of education	25,772	25,772	40,016	40,016
Administration	813,977	812,631	406,483	405,409
Fiscal	417,967	417,967	247,609	247,609
Operations and maintenance	1,056,371	1,000,923	681,666	681,666
Pupil transportation	352,451	347,343	211,448	207,019
Central	35,149	33,709	38,917	37,517
Operations of non-instructional services:				
Food service operations	482,701	93,756	264,724	(108,371)
Other non-instructional services	108,903	101,989	95,391	86,152
Extracurricular activities	657,802	416,887	247,025	21,195
Interest and fiscal charges	582,979	582,979	517,323	517,323
Total expenses	$ 11,787,983	$ 8,785,620	$ 6,630,797	$ 3,835,145

The dependence upon tax and other general revenues for governmental activities is apparent as 64.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.53%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of $6,745,564, which is less than last year's total of $13,265,931. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Increase (Decrease)	Percentage Change
Major funds:				
General	$ 4,860,674	$ 5,553,769	$ (693,095)	(12.48) %
Bond Retirement	222,338	262,481	(40,143)	(15.29) %
Building	1,015,343	1,788,620	(773,277)	(43.23) %
Classroom Facilities	426,688	5,360,394	(4,933,706)	(92.04) %
Other Governmental	220,521	300,667	(80,146)	(26.66) %
Total	$ 6,745,564	$ 13,265,931	$ (6,520,367)	(49.15) %

General Fund

The District's General Fund balance decreased $693,095 in fiscal year 2019. Tuition revenue increased $111,069 due to increased open enrollment revenue during fiscal year 2019. Tax revenue decreased by $31,501. The most significant reason for the decrease in tax revenues is due to a decrease in property taxes available as an advance at June 30, 2019 compared to June 30, 2018. Earnings on investments increased by $177,074 due to an increase in interest rates. Intergovernmental revenues decreased due to the continued phase out of the tangible personal property tax reimbursement received from the State.

Total General Fund expenditures increased 2.86% from the prior fiscal year. Instructional expenditures increased $60,642. Part of this was due to customary wage and benefit increases. Support services expenditures increased $162,058. This was mainly due to expenditures for the resurfacing of the track, which was paid out of the operations and maintenance line item. Capital outlay decreased due to the District entering into a lease in fiscal year 2018 for copier equipment. Debt service increased because the District's initial payments on the computer lease were not due until fiscal year 2019.

The table that follows assists in illustrating the revenues of the General Fund.

	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	$ 3,209,945	$ 3,241,446	$ (31,501)	(0.97) %
Tuition	1,784,307	1,673,238	111,069	6.64 %
Earnings on investments	193,972	16,898	177,074	1,047.90 %
Intergovernmental	3,574,336	3,631,655	(57,319)	(1.58) %
Other revenues	193,302	131,270	(62,032)	(47.26) %
Capital lease transaction	-	377,169	(377,169)	(100.00) %
Total	$ 8,955,862	$ 9,071,676	$ (115,814)	(1.28) %

The table that follows assists in illustrating the expenditures of the General Fund.

	2019 Amount	2018 Amount	Increase (Decrease)	Percentage Change
Expenditures				
Instruction	$ 5,707,953	$ 5,647,311	$ 60,642	1.07 %
Support services	3,544,136	3,382,078	162,058	4.79 %
Non-instructional services	13,324	7,580	5,744	75.78 %
Extracurricular activities	407,803	360,474	47,329	13.13 %
Facilities acquisition and construction	17,494	6,894	10,600	153.76 %
Capital outlay	-	48,849	(48,849)	(100.00) %
Debt service	56,103	22,799	33,304	146.08 %
Total	$ 9,746,813	$ 9,475,985	$ 270,828	2.86 %

Bond Retirement Fund

The Bond Retirement Fund accounts for the District's debt service levy and payments on general obligation bonds. During fiscal year 2019, the Bond Retirement Fund had $636,896 in revenues and $677,039 in expenditures. The Bond Retirement Fund's fund balance decreased $40,143 from $262,481 to $222,338.

Building Fund

The Building Fund accounts for the District's locally funded initiatives of the building construction project. During fiscal year 2019, the Building Fund had $829,252 in revenues and other financing sources and $1,602,529 in expenditures. The Building Fund's fund balance decreased $773,277 from $1,788,620 to $1,015,343.

Classroom Facilities Fund

The Classroom Facilities Fund accounts for the OFCC's portion and the District's required local portion of the building construction project. During fiscal year 2019, the Classroom Facilities Fund had $1,490,055 in revenues and $6,423,761 in expenditures. The Classroom Facilities Fund's fund balance decreased $4,933,706 from $5,360,394 to $426,688.

General Fund Budgeting Highlights

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

For the General Fund, original budgeted revenues and financing sources were $8,518,284 and final budgeted revenues and other financing sources were unchanged from the original budget. Actual revenues and other financing sources for fiscal 2019 were $8,986,498. This represents a $468,214 increase from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of $10,296,105 were unchanged in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled $9,735,318 which was $560,787 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2019, the District had $34,257,227 invested in land, construction on progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. The following table shows fiscal 2019 balances compared to fiscal 2018.

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	$ 148,406	$ 148,406
Construction in progress	1,985,705	25,757,257
Land improvements	287,702	92,465
Building and improvements	29,050,065	672,258
Furniture and equipment	2,621,657	893,997
Vehicles	162,203	137,414
Textbooks	1,489	2,541
Total	$ 34,257,227	$ 27,704,338

Total additions to capital assets for 2019 were $8,068,089 and total disposals were $580,736 (net of accumulated depreciation). Depreciation recorded for the fiscal year totaled $934,464.

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

Debt Administration

At June 30, 2019, the District had $13,338,372 in general obligation bonds, $798,000 in a lease purchase agreement and $286,855 in capital leases outstanding. Of these totals, $332,002 is due within one year and $14,091,225 is due in greater than one year. The following table summarized the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2019	Governmental Activities 2018
Lease purchase agreement	$ 798,000	$ -
Capital leases	286,855	377,169
General obligation bonds	13,338,372	13,428,500
Total	$ 14,423,227	$ 13,805,669

See Note 11 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Property tax levies on a continuing basis and a five-year, one-percent income tax are in place to help fund the General Fund operations of the District. Public utility taxes declined in 2019, while real estate and income tax receipts increased slightly. Incoming open enrollment made up eighteen percent and reimbursement from the State for tangible personal property tax losses due to House Bill 66 made up four percent of General Fund revenue in fiscal year 2019. Overall, revenue for the District is greater than last fiscal year due to an increase in real estate tax, income tax, state aid, and other revenues.

State funding estimates for the District are to be frozen in fiscal year 2019 and 2020 due to the current biennial budget. The state reimbursement of tangible personal property tax is projected to continue its phase-out during this current biennial budget. The phase-out of these funds will remain a concern in the future as the District relies heavily on this reimbursement to fund operations.

The District continues to manage its resources in spite of a difficult economy. General Fund cash basis disbursements increased by 6.3% compared to the prior fiscal year due mainly to increased salaries and benefits and resurfacing of the track. The uncertainty associated with the long-term effects of the elimination of the tangible personal property tax base and state funding revisions will create future challenges; however, the financial stability of the District continues to be a top priority. The District is considering going back to the taxpayers for additional operating funds for the first time since 2007.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Abby Sharp, CFO/Treasurer, Ayersville Local School District, 28046 Watson Road, Defiance, Ohio, 43512-8756.

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AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
Assets:		
Equity in pooled cash and investments	$	7,368,528
Investments		581,515
Receivables:		
Property taxes		3,356,475
Income taxes		337,612
Accounts		14,550
Accrued interest		21,036
Intergovernmental		69,085
Prepayments		5,630
Materials and supplies inventory		24,490
Inventory held for resale		2,156
Loans to other funds		18,164
Net OPEB asset		559,411
Capital assets:		
Nondepreciable capital assets		2,134,111
Depreciable capital assets, net		32,123,116
Capital assets, net		34,257,227
Total assets		46,615,879
Deferred outflows of resources:		
Unamortized deferred charges on debt refunding		512,578
Pension		2,734,559
OPEB		188,103
Total deferred outflows of resources		3,435,240
Liabilities:		
Accounts payable		43,590
Contracts payable		726,462
Retainage payable		83,194
Accrued wages and benefits		840,406
Intergovernmental payable		26,279
Pension and postemployement benefits payable		141,788
Accrued interest payable		84,554
Long-term liabilities:		
Due within one year		468,127
Due in more than one year:		
Net pension liability		9,514,652
Net OPEB liability		912,405
Other amounts due in more than one year		15,589,693
Total liabilities		28,431,150
Deferred inflows of resources:		
Property taxes levied for the next fiscal year		3,046,475
Pension		820,926
OPEB		948,890
Total deferred inflows of resources		4,816,291
Net position:		
Net investment in capital assets		19,847,395
Restricted for:		
Capital projects		1,396,177
Classroom facilities maintenance		190,840
State funded programs		1,518
Federally funded programs		20
Student activities		36,433
Natatorium operations		33,425
Unrestricted (deficit)		(4,702,130)
Total net position	$	16,803,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	$ 4,863,838	$ 1,786,375	$ 32,792	$ -	$ (3,044,671)
Special	792,934	139,474	272,373	-	(381,087)
Vocational	115,419	-	1,615	-	(113,804)
Other	645,930	-	59,488	-	(586,442)
Support services:					
Pupil	456,333	-	86	-	(456,247)
Instructional staff	379,457	-	10,044	-	(369,413)
Board of education	25,772	-	-	-	(25,772)
Administration	813,977	-	1,346	-	(812,631)
Fiscal	417,967	-	-	-	(417,967)
Operations and maintenance	1,056,371	1,200	4,248	50,000	(1,000,923)
Pupil transportation	352,451	2,220	2,888	-	(347,343)
Central	35,149	-	1,440	-	(33,709)
Operation of non-instructional services:					
Food service operations	482,701	250,936	138,009	-	(93,756)
Other non-instructional services	108,903	6,434	480	-	(101,989)
Extracurricular activities	657,802	172,431	14,516	53,968	(416,887)
Interest and fiscal charges	582,979	-	-	-	(582,979)
Total governmental activities	$ 11,787,983	$ 2,359,070	$ 539,325	$ 103,968	(8,785,620)

General revenues:	
Property taxes levied for:	
General purposes	2,256,438
Debt service	618,606
Capital outlay	94,345
Natatorium operations	77,093
Classroom facilities maintenance	47,565
Income taxes levied for:	
General purposes	965,805
Grants and entitlements not restricted to specific programs	3,475,746
Investment earnings	278,928
Miscellaneous	28,455
Total general revenues	7,842,981
Change in net position	(942,639)
Net position at beginning of year	17,746,317
Net position at end of year	$ 16,803,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and investments	$ 5,274,008	$ 141,338	$ 950,850	$ 718,444	$ 283,888	$ 7,368,528
Investments	-	-	482,234	99,281	-	581,515
Receivables:						
Property taxes	2,453,118	667,354	-	-	236,003	3,356,475
Income taxes	337,612	-	-	-	-	337,612
Accounts	13,844	-	-	-	706	14,550
Accrued interest	20,158	-	444	434	-	21,036
Intergovernmental	18,052	-	-	12,847	38,186	69,085
Prepayments	5,127	-	-	-	503	5,630
Materials and supplies inventory	21,940	-	-	-	2,550	24,490
Inventory held for resale	-	-	-	-	2,156	2,156
Due from other funds	12,691	-	-	-	-	12,691
Loans to other funds	18,164	-	-	-	-	18,164
Total assets	$ 8,174,714	$ 808,692	$ 1,433,528	$ 831,006	$ 563,992	$ 11,811,932
Liabilities:						
Accounts payable	$ 16,826	$ -	$ -	$ -	$ 26,764	$ 43,590
Contracts payable	-	-	413,551	312,911	-	726,462
Retainage payable	-	-	4,634	78,560	-	83,194
Accrued wages and benefits	793,056	-	-	-	47,350	840,406
Compensated absences payable	47,442	-	-	-	-	47,442
Intergovernmental payable	25,129	-	-	-	1,150	26,279
Pension and postemployment benefits payable	130,059	-	-	-	11,729	141,788
Due to other funds	-	-	-	-	12,691	12,691
Total liabilities	1,012,512	-	418,185	391,471	99,684	1,921,852
Deferred inflows of resources:						
Property taxes levied for the next fiscal year	2,250,461	580,190	-	-	215,824	3,046,475
Delinquent property tax revenue not available	22,657	6,164	-	-	2,179	31,000
Intergovernmental revenue not available	18,052	-	-	12,847	25,784	56,683
Accrued interest not available	10,358	-	-	-	-	10,358
Total deferred inflows of resources	2,301,528	586,354	-	12,847	243,787	3,144,516
Fund balances:						
Nonspendable:						
Materials and supplies inventory	21,940	-	-	-	2,550	24,490
Prepaids	5,127	-	-	-	503	5,630
Restricted:						
Debt service	-	222,338	-	-	-	222,338
Capital improvements	-	-	1,015,343	426,688	32,854	1,474,885
Classroom facilities maintenance	-	-	-	-	190,390	190,390
Extracurricular	-	-	-	-	36,433	36,433
Natatorium operations	-	-	-	-	32,542	32,542
Other purposes	-	-	-	-	1,518	1,518
Committed:						
Termination benefits	181,448	-	-	-	-	181,448
Assigned:						
Student instruction	4,030	-	-	-	-	4,030
Student and staff support	153,115	-	-	-	-	153,115
Subsequent year's appropriations	1,066,527	-	-	-	-	1,066,527
Other purposes	3,786	-	-	-	-	3,786
Unassigned (deficit)	3,424,701	-	-	-	(76,269)	3,348,432
Total fund balances	4,860,674	222,338	1,015,343	426,688	220,521	6,745,564
Total liabilities, deferred inflows of resources and fund balances	$ 8,174,714	$ 808,692	$ 1,433,528	$ 831,006	$ 563,992	$ 11,811,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

Total governmental fund balances		$ 6,745,564
Amounts reported for governmental activities on 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.		34,257,227
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	$ 31,000	
Accrued interest receivable	10,358	
Intergovernmental receivable	56,683	
Total		98,041
Unamortized premiums on bonds issued are not recognized in the funds.		(1,013,082)
Unamortized amounts on refundings are not recognized in the funds.		512,578
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(84,554)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets & liabilities and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows - pension	2,734,559	
Deferred inflows - pension	(820,926)	
Net pension liability	(9,514,652)	
Deferred outflows - OPEB	188,103	
Deferred inflows - OPEB	(948,890)	
Net OPEB asset	559,411	
Net OPEB liability	(912,405)	
Total		(8,714,800)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(13,338,372)	
Lease obligations	(286,855)	
Lease purchase obligation	(798,000)	
Compensated absences	(574,069)	
Total		(14,997,296)
Net position of governmental activities		$ 16,803,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Property taxes	$ 2,244,140	$ 615,086	$ -	$ -	$ 217,821	$ 3,077,047
Income taxes	965,805	-	-	-	-	965,805
Tuition	1,784,307	-	-	-	-	1,784,307
Transportation fees	2,220	-	-	-	-	2,220
Earnings on investments	193,972	-	31,252	48,747	4	273,975
Charges for services	-	-	-	-	250,933	250,933
Extracurricular	2,005	-	-	-	124,594	126,599
Classroom materials and fees	51,375	-	-	-	-	51,375
Other local revenues	137,702	-	-	-	39,612	177,314
Intergovernmental - state	3,515,198	21,810	-	1,441,308	64,561	5,042,877
Intergovernmental - federal	59,138	-	-	-	383,676	442,814
Total revenues	8,955,862	636,896	31,252	1,490,055	1,081,201	12,195,266
Expenditures:						
Current:						
Instruction:						
Regular	4,252,769	-	-	-	25,023	4,277,792
Special	748,257	-	-	-	147,022	895,279
Vocational	115,067	-	-	-	-	115,067
Other	591,860	-	-	-	61,429	653,289
Support services:						
Pupil	491,830	-	-	-	3,720	495,550
Instructional staff	395,357	-	-	-	13,083	408,440
Board of education	51,692	-	-	-	-	51,692
Administration	870,545	-	-	-	1,390	871,935
Fiscal	394,581	12,056	1,437	1,444	4,617	414,135
Operations and maintenance	1,013,191	-	307,327	-	197,012	1,517,530
Pupil transportation	293,773	-	-	-	-	293,773
Central	33,167	-	-	-	2,290	35,457
Operation of non-instructional services						
Food service operations	-	-	-	-	406,336	406,336
Other non-instructional services	13,324	-	-	-	106,969	120,293
Extracurricular activities	407,803	-	-	-	160,721	568,524
Facilities acquisition and construction	17,494	-	1,271,566	6,422,317	10,152	7,721,529
Debt service:						
Principal retirement	50,314	185,000	-	-	40,000	275,314
Interest and fiscal charges	5,789	479,983	-	-	-	485,772
Issuance costs	-	-	22,199	-	-	22,199
Total expenditures	9,746,813	677,039	1,602,529	6,423,761	1,179,764	19,629,906
Excess of expenditures over revenues	(790,951)	(40,143)	(1,571,277)	(4,933,706)	(98,563)	(7,434,640)
Other financing sources (uses):						
Sale of capital assets	96,127	-	-	-	10	96,137
Lease purchase agreement	-	-	798,000	-	-	798,000
Transfers in	-	-	-	-	16,501	16,501
Transfers (out)	(16,501)	-	-	-	-	(16,501)
Total other financing sources (uses)	79,626	-	798,000	-	16,511	894,137
Net change in fund balances	(711,325)	(40,143)	(773,277)	(4,933,706)	(82,052)	(6,540,503)
Fund balances at beginning of year	5,553,769	262,481	1,788,620	5,360,394	300,667	13,265,931
Increase in reserve for inventory	18,230	-	-	-	1,906	20,136
Fund balances at end of year	$ 4,860,674	$ 222,338	$ 1,015,343	$ 426,688	$ 220,521	$ 6,745,564

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

Net change in fund balances - total governmental funds		$ (6,540,503)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 8,068,089	
Current year depreciation	(934,464)	
Total		7,133,625
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(580,736)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		20,136
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	17,000	
Earnings on investments	4,957	
Intergovernmental	(1,468,016)	
Total		(1,446,059)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		275,314
Issuance of lease purchases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position. on the statement of net position.		(798,000)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	755,676	
OPEB	26,769	
Total		782,445
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities		
Pension	(810,716)	
OPEB	1,143,954	
Total		333,238

- - Continued

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:				
Increase in accrued interest payable	$	(2,466)		
Accreted interest on capital appreciation bonds		(94,872)		
Amortization of bond premiums		46,357		
Amortization of deferred charges		(24,027)		
Total			$	(75,008)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				(47,091)
Change in net position of governmental activities			$	(942,639)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
From local sources:				
Property taxes	$ 2,421,161	$ 2,421,161	$ 2,373,140	$ (48,021)
Income taxes	889,616	889,616	946,940	57,324
Payment in lieu of taxes	5,089	5,089	-	(5,089)
Tuition	1,600,952	1,600,952	1,784,307	183,355
Transportation fees	1,820	1,820	2,220	400
Earnings on investments	91,825	91,825	114,002	22,177
Classroom materials and fees	31,445	31,445	27,409	(4,036)
Other local revenues	10,813	10,813	90,453	79,640
Intergovernmental - state	3,390,694	3,390,694	3,551,476	160,782
Intergovernmental - federal	35,748	35,748	59,138	23,390
Total revenues	8,479,163	8,479,163	8,949,085	469,922
Expenditures:				
Current:				
Instruction:				
Regular	3,397,885	3,397,885	4,300,523	(902,638)
Special	967,395	967,395	755,706	211,689
Vocational	131,450	131,450	115,061	16,389
Other	678,718	678,718	590,900	87,818
Support services:				
Pupil	552,626	552,626	441,994	110,632
Instructional staff	612,747	612,747	388,810	223,937
Board of education	90,700	90,700	51,669	39,031
Administration	1,184,083	1,184,083	868,336	315,747
Fiscal	408,412	408,412	393,717	14,695
Operations and maintenance	994,727	994,727	1,016,768	(22,041)
Pupil transportation	443,170	443,170	285,334	157,836
Central	40,580	40,580	36,524	4,056
Other non-instructional services	26,142	26,142	11,537	14,605
Extracurricular activities	599,226	599,226	332,777	266,449
Facilities acquisition and construction	23,244	23,244	17,494	5,750
Total expenditures	10,151,105	10,151,105	9,607,150	543,955
Excess of expenditures over revenues	(1,671,942)	(1,671,942)	(658,065)	1,013,877
Other financing sources (uses):				
Refund of prior year's expenditures	39,097	39,097	36,873	(2,224)
Transfers (out)	(125,000)	(125,000)	(110,004)	14,996
Advances (out)	(20,000)	(20,000)	(18,164)	1,836
Sale of capital assets	24	24	540	516
Total other financing sources (uses)	(105,879)	(105,879)	(90,755)	15,124
Net change in fund balance	(1,777,821)	(1,777,821)	(748,820)	1,029,001
Fund balance at beginning of year	5,345,401	5,345,401	5,345,401	-
Prior year encumbrances appropriated	303,749	303,749	303,749	-
Fund balance at end of year	$ 3,871,329	$ 3,871,329	$ 4,900,330	$ 1,029,001

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and investments. . . .	$ 21,784	$ 175,273
Receivables:		
Accounts	-	853
Prepayments	-	10,836
Total assets.	$ 21,784	$ 186,962
Liabilities:		
Pension obligation payable.	-	$ 13,850
Due to students.	-	45,370
Due to others.	-	109,578
Loans from other funds.	-	18,164
Total liabilities	-	$ 186,962
Net position:		
Held in trust for scholarships	$ 21,784	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	$ 212
Gifts and contributions.	550
Total additions.	762
Deductions:	
Scholarships awarded	1,500
Change in net position	(738)
Net position at beginning of year.	22,522
Net position at end of year	$ 21,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

The Ayersville Local School District (the District) is organized under Article VI, Section 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/or Federal guidelines.

The District was established in 1938 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-five square miles. It is located in Defiance County. The District is staffed by 39 classified employees and 58 certified employees, who provide services to approximately 796 students and other community members. The District currently operates one instructional building and one bus garage.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association – The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood and Williams Counties.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were $50,275. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council – The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Wood and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC this fiscal year were $185. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Four County Career Center – The Four County Career 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 educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were $115,226. To obtain financial information write to Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

State Support Team Region One – State Support Teams address school improvement through their role in the implementation of the Ohio Improvement Process (OIP). The State Support Team Region 1 builds capacity region-wide through facilitating and supporting district-wide OIP implementation and providing technical assistance and coaching to school teams and learning communities. The State Support Team Region 1 is located at 2275 Collingwood Boulevard, Suite C, Toledo, Ohio 43620.

GROUP PURCHASING POOLS

Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool) – The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code Section 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members.

The District contributed a total of $1,220,167 to Northern Buckeye Health Plan, Northwest Division of OHI for all four employee insurance plans. Financial information for the period can be obtained from Charles LeBoeuf, Treasurer at 201 East 5th Street, Suite 2100, Cincinnati, Ohio 45202.

Optimal Health Initiative Consortium (OHI) Workers' Compensation Group Rating Plan – The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northern Division of OHI Workers' Compensation Group Rating Pool (WCGRP) was established on January 1, 2012 through NBHP as an insurance purchasing pool.

The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. The District contributed a total of $502 to the WCGRP during this fiscal year.

Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program – The District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the LFP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants. The District paid $38,630 for those services to Southwestern Ohio Educational Purchasing Council during fiscal year 2019.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

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

Bond Retirement Fund – The Bond Retirement Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Building Fund – The Building Fund is used to account for resources that are restricted for the acquisition of capital facilities and capital assets. Expenditures recorded here represent the costs of acquiring capital facilities, including real property.

Classroom Facilities Fund – The Classroom Facilities Fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

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

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues – Exchange and 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources – In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 14 and 15 for deferred outflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 14 and 15 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2019 is as follows.

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

2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2019.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

   Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations at the legal level of control.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions within a fund must be approved by the Board of Education.

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2019. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final budgeted appropriations for fiscal year 2019.

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level.

F. Cash and Investments

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

During fiscal year 2019, investments were limited to federal agency securities, negotiable certificates of deposit, U.S. government money market mutual funds and commercial paper. 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 revenues credited to the General Fund during fiscal year 2019 amounted to $193,972, which includes $19,547 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are reported as “Equity in Pooled Cash and Investments.” Investments with an original maturity of more than three months that are not made from the pool are reported as “Investments.”

An analysis of the District’s investments at year end is provided in Note 4.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition values as of the date received. During fiscal year 2019, the District maintained a capitalization threshold of $1,500. 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. Interest incurred during the construction of capital assets is not capitalized for governmental activities.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings/improvements	25 - 50 years
Furniture/equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks	5 years

I. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

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

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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 during the current year.

Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds, lease purchase agreements and capital leases are recognized as a liability in the fund financial statements when due.

K. Fund Balance

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

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

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

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

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

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

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

L. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the statement of net position and the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

N. Estimates

The preparation of the financial statements in conformity with GAAP 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.

O. Restricted Assets

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

P. Interfund Activity

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

Q. Interfund Balances

Interfund loans that are used to cover negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities columns of the statement of net position.

Loans made to the agency fund are reported as "loans to/from other funds."

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Extraordinary and Special Items

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

T. Bond Premium/Accounting Gain or Loss

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized using the straight-line method, which approximates the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow on the government-wide financial statements.

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

U. Fair Value

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.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

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

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

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

B. Deficit Fund Balances

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

Nonmajor Governmental Funds	Deficit
Food Service	$ 33,531
Title VI-B	25,425
Title I	10,225
Title II-A	2,606
Miscellaneous Federal Grants	1,429

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

3. Written repurchase agreements in the securities listed above provided that the 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 the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

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

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

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

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

A. Cash on Hand

At fiscal year end, the District had $200 in undeposited cash on hand which is included on the financial statements of the District as part of “Equity in Pooled Cash and Investments”.

B. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was $2,183,277. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2019, $223,573 of the District’s bank balance of $2,217,924 was exposed to custodial risk as discussed below, while $1,994,351 was covered by the FDIC.

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

C. Investments

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

		Investment Maturities				
Investment type	Fair value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	$ 94,587	$ -	$ -	$ -	$ 94,587	$ -
FHLMC	634,787	-		249,692	-	385,095
FNMA	1,377,238	94,849	54,738	477,523	750,128	-
FAMC	248,787	-	-	-	248,787	-
Negotiable CDs	1,612,443	592,204	223,739	296,540	-	499,960
Commercial paper	1,722,392	1,396,326	326,066	-	-	-
U.S. Government money market funds	273,389	273,389	-	-	-	-
	$ 5,963,623	$ 2,356,768	$ 604,543	$ 1,023,755	$ 1,093,502	$ 885,055

The weighted average maturity of investments is 1.12 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities, negotiable CDs and commercial paper are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less. State statute 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: U.S. Government money market mutual funds carry a rating of AAAm by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated A-1+ or A-1 by Standard & Poor's and P-1 by Moody's Investor Services.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable CDs are covered by FDIC. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

Investment type	Fair value	% of Total
FHLB	$ 94,587	1.59
FHLMC	634,787	10.64
FNMA	1,377,238	23.09
FAMC	248,787	4.17
Negotiable CDs	1,612,443	27.04
Commercial paper	1,722,392	28.89
U.S. Government money market funds	273,389	4.58
	$ 5,963,623	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

Cash and investments per note	
Carrying amount of deposits	$ 2,183,277
Investments	5,963,623
Cash on hand	200
Total	$ 8,147,100

Cash and investments per statement of net position	
Governmental Activities	$ 7,950,043
Private-Purpose Trust Fund	21,784
Agency Funds	175,273
Total	$ 8,147,100

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund transfers for the fiscal year ended June 30, 2019, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:	Amount
Nonmajor Governmental Funds	$ 16,501

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2019 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

B. Interfund balances consisted of the following due to/from other funds at June 30, 2019, as reported on the fund statements:

Due to the General Fund from:	Amount
Nonmajor Governmental Funds	$ 12,691

The primary purpose of the interfund loans due to the General Fund is to cover negative cash balances in the Nonmajor Governmental Funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balances will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

C. Loan balances consisted of the following loans to/from other funds at June 30, 2019, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General Fund	Agency	$ 18,164

The primary purpose of the loans due to the General Fund is to cover revenues not received in the Agency Fund at fiscal year-end. The loan balance will be repaid once the anticipated revenues are received.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was $180,000 in the General Fund, $81,000 in the Bond Retirement Fund, $7,000 in the Permanent Improvement Fund, a Nonmajor Governmental Fund, $6,000 in the Classroom Facilities Maintenance Fund, a Nonmajor Governmental Fund, and $5,000 in the Natatorium Special Levy Fund, a Nonmajor Governmental Fund. This amount is recorded as revenue. The amount available for advance at June 30, 2018 was $309,000 in the General Fund, $101,000 in the Bond Retirement Fund, $13,000 in the Permanent Improvement Fund, a Nonmajor Governmental Fund, $7,000 in the Classroom Facilities Maintenance Fund, a Nonmajor Governmental Fund and $10,000 in the Natatorium Special Levy Fund, a Nonmajor Governmental Fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 95,309,970	93.71	$ 95,570,230	93.70
Public utility personal	6,392,300	6.29	6,427,470	6.30
Total	$ 101,702,270	100.00	$ 101,997,700	100.00
Tax rate per $1,000 of assessed valuation	$ 50.28		$ 50.68	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2019 consisted of property taxes, income taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	$ 3,356,475
Income taxes	337,612
Accounts	14,550
Intergovernmental	69,085
Accrued interest	21,036
Total	$ 3,798,758

Receivables have been disaggregated on the face of the basic financial statements. An intergovernmental receivable in the amount of $12,847 reported in the Classroom Facilities Fund is expected to be collected over the life of the OFCC project. All other receivables are expected to be collected within the subsequent year; however, the status of any delinquent tax collections is unknown.

NOTE 8 – INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2008 and was in effect for a period of five years, until December 31, 2012. In March 2012, voters renewed this levy for an additional five years, effective January 1, 2013 through December 31, 2017. In November 2017, voters renewed this levy for an additional five years, effective January 1, 2018 through December 31, 2022. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and 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 and amounted to $965,805 for fiscal year 2019.

NOTE 9 – CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 148,406	$ -	$ -	$ 148,406
Construction in progress	25,757,257	7,448,077	(31,219,629)	1,985,705
Total capital assets, not being depreciated	25,905,663	7,448,077	(31,219,629)	2,134,111
Capital assets, being depreciated:				
Land improvements	372,423	247,833	(164,935)	455,321
Building/improvements	2,793,555	29,358,924	(739,024)	31,413,455
Furniture/equipment	2,508,514	2,172,945	(477,725)	4,203,734
Vehicles	925,573	59,939	(73,550)	911,962
Textbooks	319,838	-	(89,369)	230,469
Total capital assets, being depreciated	6,919,903	31,839,641	(1,544,603)	37,214,941
Less: accumulated depreciation				
Land improvements	(279,958)	(15,365)	127,704	(167,619)
Building/improvements	(2,121,297)	(595,075)	352,982	(2,363,390)
Furniture/equipment	(1,614,517)	(289,572)	322,012	(1,582,077)
Vehicles	(788,159)	(33,400)	71,800	(749,759)
Textbooks	(317,297)	(1,052)	89,369	(228,980)
Total accumulated depreciation	(5,121,228)	(934,464)	963,867	(5,091,825)
Governmental activities capital assets, net	$ 27,704,338	$ 38,353,254	$ (31,800,365)	$ 34,257,227

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 492,091
Special	1,071
Vocational	352
Other	718
Support services:	
Pupil	521
Instructional staff	22,002
Administration	31,541
Fiscal	1,887
Operations and maintenance	102,511
Pupil transportation	31,479
Food service operations	91,860
Extracurricular activities	158,431
Total depreciation expense	$ 934,464

NOTE 10 – CAPITAL LEASES – LESSEE DISCLOSURE

The District entered into capital leases for the acquisition of copiers and laptop computers for the one-to-one laptop initiative for high school students. All leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, all leases were accounted for as an other financing source and the copier lease reported a capital outlay expenditure in the General Fund, while the computer lease reported a regular instruction expenditure in the General Fund. Capital lease payments have been reclassified and shown as debt service expenditures in the General Fund. These expenditures will be reflected as function expenditures on a budgetary basis. The general capital assets acquired by the copier capital lease have been capitalized in the Governmental Activities on the statement of net position in an amount equal to the present value of the future minimum lease payments as of the date of their inception. The equipment acquired by the computer capital lease is under the District's capitalization threshold of $1,500 per item. A corresponding liability has been recorded in the Governmental Activities on the statement of net position. Principal payments made during fiscal year 2019 totaled $8,214 for the copiers and $82,100 for the computers.

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

Fiscal year ending June 30,	Copiers	Computers	Total
2020	$ 11,904	$ 84,200	$ 96,104
2021	11,905	84,200	96,105
2022	11,904	84,200	96,104
2023	11,905	-	11,905
Total minimum lease payment	47,618	252,600	300,218
Less amount representing interest	(6,983)	(6,380)	(13,363)
Total	$ 40,635	$ 246,220	$ 286,855

NOTE 11 – LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following:

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Amounts Due in One Year
Governmental activities:					
Compensated absences payable	$ 526,978	$ 186,826	$ (92,293)	$ 621,511	$ 136,125
Net pension liability	9,952,659	-	(438,007)	9,514,652	-
Net OPEB liability	2,197,410	31,747	(1,316,752)	912,405	-
General obligation bonds - series 2015	9,866,792	68,366	(125,000)	9,810,158	125,000
Refunding bonds - series 2016	3,561,708	26,506	(60,000)	3,528,214	65,000
Lease purchase agreement	-	798,000	-	798,000	52,000
Capital lease - copiers	48,849	-	(8,214)	40,635	8,978
Capital lease - computers	328,320	-	(82,100)	246,220	81,024
Total governmental activities long-term liabilities	$ 26,482,716	$ 1,111,445	$ (2,122,366)	25,471,795	$ 468,127
Add: unamortized premium on bond issue				1,013,082	
Total on statement of net position				$ 26,484,877	

Compensated absences will be paid from the General Fund.

The District's net pension liability is discussed in Note 14.

The District's net OPEB liability is discussed in Note 15.

The District's capital leases are discussed in Note 10.

School Facilities Construction and Improvement Bonds – Series 2015:
On July 22, 2015, the District issued $13,661,198 in general obligation bonds to provide funds for the District's building project. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the Bond Retirement Fund.

This issue is comprised of both current interest bonds, par value $13,655,000, and capital appreciation bonds, par value $6,198. The interest rates on the current interest bonds range from 1.00% to 5.00%. The capital appreciation bonds mature on November 1, 2019 (approximate initial offering yield to maturity 1.92%), November 1, 2020 (approximate initial offering yield to maturity 2.16%), and November 1, 2021 (approximate initial offering yield to maturity 2.46%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $380,000. A total of $118,960 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2019.

On November 30, 2016, the District issued $3,599,923 (refunding school facilities construction and improvement bonds – series 2016) to advance refund a portion of the bonds. The refunded portions of the series 2015 bonds included portions of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated of the current interest bonds is November 1, 2052.

At June 30, 2019, $443,937 of the proceeds of the series 2015 general obligations are unspent.

The following is a schedule of activity for fiscal year 2019 on the series 2015 general obligation bonds:

Series 2015	Balance 6/30/18	Additions	Reductions	Balance 6/30/19
Current interest bonds	$ 9,810,000	$ -	$ (125,000)	$ 9,685,000
Capital appreciation bonds	6,198	-	-	6,198
Accreted interest	50,594	68,366	-	118,960
Total series 2015	$ 9,866,792	$ 68,366	$ (125,000)	$ 9,810,158

Refunding School Facilities Construction and Improvement Bonds – Series 2016:
On November 30, 2016, the District issued general obligation bonds (series 2016 refunding bonds) to advance refund a portion of the series 2015 current interest general obligation bonds. The issuance proceeds of $4,295,267 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was $3,600,000 at June 30, 2019. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the Bond Retirement Fund.

This issue is comprised of both current interest bonds, par value $3,455,000, and capital appreciation bonds, par value $144,923. The interest rates on the current interest bonds range from 1.25% to 3.50%. The capital appreciation bonds mature on November 1, 2031 (approximate initial offering yield to maturity 3.15%), November 1, 2032 (approximate initial offering yield to maturity 3.21%), November 1, 2033 (approximate initial offering yield to maturity 3.27%) and November 1, 2034 (approximate initial offering yield to maturity 3.32%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $1,425,000. A total of $58,291 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2019.

The reacquisition price exceeded the net carrying amount of the old debt by $574,648. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This refunding was undertaken to reduce total debt service payments by $372,334 and resulted in an economic gain of $276,578.

Interest payments on the current interest bonds are due May 1 and November 1 each year. The final maturity stated on the issue is November 1, 2040.

The following is a schedule of activity for fiscal year 2019 on the series 2016 refunding bonds:

Series 2016	Balance 6/30/18	Additions	Reductions	Balance 6/30/19
Current interest bonds	$ 3,385,000	$ -	$ (60,000)	$ 3,325,000
Capital appreciation bonds	144,923	-	-	144,923
Accreted interest	31,785	26,506	-	58,291
Total series 2016	$ 3,561,708	$ 26,506	$ (60,000)	$ 3,528,214

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal	Current Interest Bonds			Capital Appreciation Bonds		
Year Ended	Principal	Interest	Total	Principal	Interest	Total
2020	$ 95,000	$ 477,651	$ 572,651	$ 3,178	$ 91,822	$ 95,000
2021	65,000	476,425	541,425	1,963	128,037	130,000
2022	65,000	475,385	540,385	1,057	153,943	155,000
2023	215,000	472,095	687,095	-	-	-
2024	240,000	466,050	706,050	-	-	-
2025 - 2029	1,375,000	2,206,353	3,581,353	-	-	-
2030 - 2034	650,000	1,998,060	2,648,060	115,091	944,909	1,060,000
2035 - 2039	1,585,000	1,868,663	3,453,663	29,832	335,168	365,000
2040 - 2044	2,460,000	1,499,700	3,959,700	-	-	-
2045 - 2049	3,150,000	949,000	4,099,000	-	-	-
2050 - 2053	3,110,000	255,800	3,365,800	-	-	-
Total	$ 13,010,000	$ 11,145,182	$ 24,155,182	$ 151,121	$ 1,653,879	$ 1,805,000

Lease-Purchase Agreement:
On April 30, 2019, the District entered into a $798,000 lease-purchase agreement with State Bank and Trust Company (the Bank) to finance improvement of school facilities.

The lease-purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. In conjunction with the lease-purchase agreement, the District and the Bank have entered into a Ground Lease agreement whereby the District has leased to the Bank, under a Base Lease, the Project Site and the Bank has subleased the Project Site, and the facilities already located and/or to be constructed thereon (the "Project Facilities") back to the District under the terms of the lease-purchase agreement. The Project Site and Project Facilities are collateral for the debt as, in the event of default or "Nonappropriation of Funds", the Bank shall have all legal and equitable rights to take possession of the Project Site and Project Facilities and/or assign the Base Lease. The lease purchase agreement has no significant finance-related terms related to events of default, termination events, or subjective acceleration clauses except to state that there shall be no right under any circumstances to accelerate the maturities of base rent payments or otherwise declare any base rent not then past due or in default to be immediately due and payable.

At June 30, 2019, $456,147 of the proceeds of the lease purchase agreement are unspent.

The following is a summary of the future debt service requirements for the lease-purchase agreement:

Fiscal	Lease-Purchase Agreement		
Year Ended	Principal	Interest	Total
2020	$ 52,000	$ 24,086	$ 76,086
2021	43,000	22,605	65,605
2022	45,000	21,232	66,232
2023	46,000	19,811	65,811
2024	47,000	18,361	65,361
2025 - 2029	260,000	68,360	328,360
2030 - 2034	305,000	24,414	329,414
Total	$ 798,000	$ 198,869	$ 996,869

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of ($3,758,990), including available funds of $222,338, and an unvoted debt margin of $101,998. The District is allowed to exceed its debt margin under Ohio Revised Code Section 133.06(I).

NOTE 12 – COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Twelve month classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Up to three years' vacation time may be accumulated. Teachers 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 two hundred days for both classified and certified employees with less than 25 years of service, and up to a maximum of two hundred and ten days once 25 years of service is achieved. Upon retirement, payment is made for twenty-five percent of accrued, plus five days if the accumulation is greater than 200 days, plus three days if notice of retirement is received by the Superintendent prior to March 1, to a maximum of fifty-eight days.

NOTE 13 – RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Employee Insurance Benefits Program

The District participates in the Optimal Health Initiative Consortium (OHI), a public entity risk pool consisting of school districts within Defiance, Fulton, Henry and Williams counties and other eligible governmental entities. The District pays monthly premiums to the OHI for the benefits offered to its employees, which includes health, dental, and life insurance plans. OHI is responsible for the management and operations of the program. The agreement for the program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year.

Upon withdrawal of the program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan, Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director coordinates the management and administration of the program.

NOTE 14 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position.

The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District's contractually required contribution to SERS was $168,741 for fiscal year 2019. Of this amount, $28,577 is reported as pension and postemployment benefits payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

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

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

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

The District's contractually required contribution to STRS was $586,935 for fiscal year 2019. Of this amount, $105,484 is reported as pension and postemployment benefits payable.

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

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

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.03239560%	0.03374877%	
Proportion of the net pension liability current measurement date	0.03247720%	0.03481312%	
Change in proportionate share	0.00008160%	0.00106435%	
Proportionate share of the net pension liability	$ 1,860,029	$ 7,654,623	$ 9,514,652
Pension expense	$ 210,440	$ 600,276	$ 810,716

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	$ 102,009	$ 176,693	$ 278,702
Changes of assumptions	42,004	1,356,544	1,398,548
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	80,758	220,875	301,633
Contributions subsequent to the measurement date	168,741	586,935	755,676
Total deferred outflows of resources	$ 393,512	$ 2,341,047	$ 2,734,559

	SERS	STRS	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 49,990	$ 49,990
Net difference between projected and actual earnings on pension plan investments	51,537	464,165	515,702
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	255,234	255,234
Total deferred inflows of resources	$ 51,537	$ 769,389	$ 820,926

$755,676 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ 188,229	$ 521,470	$ 709,699
2021	61,850	416,843	478,693
2022	(61,038)	105,336	44,298
2023	(15,807)	(58,926)	(74,733)
Total	$ 173,234	$ 984,723	$ 1,157,957

Actuarial Assumptions – SERS

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

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

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 2,619,992	$ 1,860,029	$ 1,222,852

Actuarial Assumptions – STRS

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

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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

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

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

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 11,178,570	$ 7,654,623	$ 4,672,081

NOTE 15 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was $20,519.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $26,769 for fiscal year 2019. Of this amount, $21,577 is reported as pension and postemployment benefits payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.03281460%	0.03374877%	
Proportion of the net OPEB liability/asset current measurement date	0.03288810%	0.03481312%	
Change in proportionate share	0.00007350%	0.00106435%	
Proportionate share of the net OPEB liability	$ 912,405	$ -	$ 912,405
Proportionate share of the net OPEB asset	$ -	$ 559,411	$ 559,411
OPEB expense	$ 60,230	$ (1,204,184)	$ (1,143,954)

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	$ 14,894	$ 65,340	$ 80,234
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	28,950	52,150	81,100
Contributions subsequent to the measurement date	26,769	-	26,769
Total deferred outflows of resources	$ 70,613	$ 117,490	$ 188,103
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 32,593	$ 32,593
Net difference between projected and actual earnings on pension plan investments	1,369	63,908	65,277
Changes of assumptions	81,972	762,242	844,214
Difference between District contributions and proportionate share of contributions/ change in proportionate share	6,806	-	6,806
Total deferred inflows of resources	$ 90,147	$ 858,743	$ 948,890

$26,769 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$ (18,171)	$ (132,884)	$ (151,055)
2021	(14,835)	(132,884)	(147,719)
2022	(4,272)	(132,884)	(137,156)
2023	(3,691)	(118,370)	(122,061)
2024	(3,785)	(113,278)	(117,063)
Thereafter	(1,549)	(110,953)	(112,502)
Total	$ (46,303)	$ (741,253)	$ (787,556)

Actuarial Assumptions – SERS

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

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

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	$ 1,107,131	$ 912,405	$ 758,218

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	$ 736,143	$ 912,405	$ 1,145,807

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate

	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

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

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

Benefit Term Changes Since the Prior Measurement Date – The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

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

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate – The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	$ 479,468	$ 559,411	$ 626,600

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 622,807	$ 559,411	$ 495,028

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General Fund
Budget basis	$ (748,820)
Net adjustment for revenue accruals	(66,257)
Net adjustment for expenditure accruals	28,322
Net adjustment for other sources/uses	(18,709)
Funds budgeted elsewhere	85,306
Adjustment for encumbrances	8,833
GAAP basis	$ (711,325)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Special Trust Fund, the Public School Support Fund, the Termination Benefits Fund, and the Management Information System Fund.

NOTE 17 – CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2019.

B. Litigation

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, FTE adjustment No.1 was made on August 23, 2019 and FTE adjustment No. 2 was made on December 13, 2019, resulting in a liability of $1,824. This amount is not recorded in the financial statements.

NOTE 18 – SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2018	$ -
Current year set-aside requirement	135,128
Current year qualifying expenditures	(116,521)
Current year offsets	(129,114)
Total	$ (110,507)
Balance carried forward to fiscal year 2020	$ -
Set-aside balance June 30, 2019	$ -

NOTE 19 – CONTRACTUAL COMMITMENTS

As of June 30, 2019, the District has commitments with the following companies for the construction project.

Contractor	Contract Amount	Amount Paid as of June 30, 2019	Amount Remaining on Contract
Garmann Miller Architects	$ 2,759,304	$ 2,479,664	$ 279,640
Shook Touchstone	28,191,865	27,126,465	1,065,400
Stan and Associates, Inc.	82,290	77,799	4,491
Total	$ 31,033,459	$ 29,683,928	$ 1,349,531

In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of $726,462 and $83,194, respectively, for costs incurred prior to fiscal year end on the construction project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded as construction-in-progress in the District's capital assets (See Note 9).

NOTE 20 – OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General Fund	$ 8,201
Building Fund	571,143
Classroom Facilities Fund	474,996
Nonmajor Governmental Funds	11,641
Total	$ 1,065,981

NOTE 21 – LAND LEASE AGREEMENT

The District has entered into an agreement with a resident (the Lessor) to lease 12 acres of land that abuts the District's property. The lease commenced on September 1, 2018 with an initial lease term of 20 years to expire on August 31, 2038. The District shall pay the Lessor rent of $15,000 per year, payable in equal monthly installments of $1,250. After the expiration of the initial lease term, the term of the lease shall automatically renew for successive one-year periods whereby the rent is $1 per year. The District may construct facilities and other improvements on the land without the Lessor's prior written consent. Maintenance of the land and any improvements thereon are the responsibility of the District. The District will receive the title to the land without any further obligation of payment upon the death of the Lessor.

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AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	2018	2017	2016
District's proportion of the net pension liability	0.03247720%	0.03239560%	0.03015130%	0.02919050%
District's proportionate share of the net pension liability	$ 1,860,029	$ 1,935,566	$ 2,206,797	$ 1,665,638
District's covered payroll	$ 1,035,393	$ 1,103,257	$ 966,364	$ 878,786
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.64%	175.44%	228.36%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014
0.02814900%	0.02814900%
$ 1,424,605	$ 1,673,931
$ 817,958	$ 775,217
174.17%	215.93%
71.70%	65.52%

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX FISCAL YEARS

	2019	**2018**	**2017**	**2016**
District's proportion of the net pension liability	0.03481312%	0.03374877%	0.03337650%	0.03466235%
District's proportionate share of the net pension liability	$ 7,654,623	$ 8,017,093	$ 11,172,121	$ 9,579,660
District's covered payroll	$ 4,089,807	$ 3,666,121	$ 3,532,193	$ 3,616,436
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.16%	218.68%	316.29%	264.89%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014
0.03659456%	0.03659456%
$ 8,901,063	$ 10,602,889
$ 3,738,954	$ 3,891,131
238.06%	272.49%
74.70%	69.30%

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 168,741	$ 139,778	$ 154,456	$ 135,291
Contributions in relation to the contractually required contribution	(168,741)	(139,778)	(154,456)	(135,291)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,249,933	$ 1,035,393	$ 1,103,257	$ 966,364
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
$ 115,824	$ 113,369	$ 107,290	$ 106,538	$ 98,579	$ 103,598
(115,824)	(113,369)	(107,290)	(106,538)	(98,579)	(103,598)
$ -	$ -	$ -	$ -	$ -	$ -
$ 878,786	$ 817,958	$ 775,217	$ 792,104	$ 784,240	$ 765,126
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 586,935	$ 572,573	$ 513,257	$ 494,507
Contributions in relation to the contractually required contribution	(586,935)	(572,573)	(513,257)	(494,507)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,192,393	$ 4,089,807	$ 3,666,121	$ 3,532,193
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
$ 506,301	$ 486,064	$ 505,847	$ 492,081	$ 477,230	$ 471,948
(506,301)	(486,064)	(505,847)	(492,081)	(477,230)	(471,948)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,616,436	$ 3,738,954	$ 3,891,131	$ 3,785,238	$ 3,671,000	$ 3,630,369
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
District's proportion of the net OPEB liability	0.03288810%	0.03281460%	0.03051413%
District's proportionate share of the net OPEB liability	$ 912,405	$ 880,658	$ 869,766
District's covered payroll	$ 1,035,393	$ 1,103,257	$ 966,364
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	88.12%	79.82%	90.00%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	2019	**2018**	**2017**
District's proportion of the net OPEB liability/asset	0.03481312%	0.03374877%	0.03337650%
District's proportionate share of the net OPEB liability/(asset)	$ (559,411)	$ 1,316,752	$ 1,784,984
District's covered payroll	$ 4,089,807	$ 3,666,121	$ 3,532,193
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	13.68%	35.92%	50.53%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 26,769	$ 22,678	$ 17,610	$ 15,265
Contributions in relation to the contractually required contribution	(26,769)	(22,678)	(17,610)	(15,265)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,249,933	$ 1,035,393	$ 1,103,257	$ 966,364
Contributions as a percentage of covered payroll	2.14%	2.19%	1.60%	1.58%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015		2014		2013		2012		2011		2010	
$	21,410	$	15,329	$	13,248	$	10,323	$	16,952	$	9,332
	(21,410)		(15,329)		(13,248)		(10,323)		(16,952)		(9,332)
$	-	$	-	$	-	$	-	$	-	$	-
$	878,786	$	817,958	$	775,217	$	792,104	$	784,240	$	765,126
	2.44%		1.87%		1.71%		1.30%		2.16%		1.22%

AYERSVILLE LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	2019	2018	2017	2016
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,192,393	$ 4,089,807	$ 3,666,121	$ 3,532,193
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
$ -	$ 38,799	$ 38,911	$ 37,852	$ 31,380	$ 36,304
-	(38,799)	(38,911)	(37,852)	(31,380)	(36,304)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,616,436	$ 3,738,954	$ 3,891,131	$ 3,785,238	$ 3,671,000	$ 3,630,369
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

OHIO AUDITOR OF STATE
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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*

Ayersville Local School District
Defiance County
28046 Watson Road
Defiance, Ohio 43512-8756

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 Ayersville Local School District, Defiance County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 9, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

April 9, 2020

Ayersville Local Schools
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	This finding was first reported in 2018. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Partially corrected and reissued in the Management Letter.	Posting errors occurred and were not detected prior to filing. School District personnel will make diligent efforts to detect and correct posting errors prior to filing in the future.

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OHIO AUDITOR OF STATE
KEITH FABER

AYERSVILLE LOCAL SCHOOL DISTRICT

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 23, 2020