FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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, the major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, Ohio, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Notes 12 and 21 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2019

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The discussion and analysis of the Fairland Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased $5,393,304. This was primarily the result of negative pension expense relating to Net Pension Liability and Net OPEB Liability.

- General revenues accounted for $12,681,455 or 79% of all revenues. Program specific revenues in the form of Charges for Services and Sales and Operating Grants and Contributions accounted for $3,292,646 or 21% of total revenues of $15,974,101. The School District had $10,580,797 in expenses related to governmental activities.

- The General Fund is the School District's only major fund. The General Fund had $14,104,225 in revenues and $14,844,633 in expenditures. The General Fund's balance decreased $821,364.

Using this Annual Financial Report

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 School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources 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 expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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 School District's activities are all considered to be Governmental Activities.

- Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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.

Fiduciary Fund 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. The School District's only fiduciary fund is an agency fund which is used to maintain financial activity of the School District's student managed activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB Statement No. 34, fiduciary funds are not included in the government-wide statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		
	2018	Restated 2017	Variance
Assets			
Current and Other Assets	$7,791,700	$8,370,386	($578,686)
Capital Assets, Net	20,699,692	22,148,055	(1,448,363)
Total Assets	28,491,392	30,518,441	(2,027,049)
Deferred Outflows of Resources			
Pension	4,864,377	4,264,228	600,149
OPEB	165,148	33,896	131,252
Total Deferred Outflows of Resources	5,029,525	4,298,124	731,401
Liabilities			
Other Liabilities	2,201,140	1,938,820	262,320
Long-term Liabilities			
Due Within One Year	235,000	420,319	(185,319)
Due in More Than One Year			
Net Pension Liability	16,537,967	23,384,946	(6,846,979)
Net OPEB Liability	3,769,959	4,659,627	(889,668)
Other Amounts	1,418,316	1,627,828	(209,512)
Total Liabilities	24,162,382	32,031,540	(7,869,158)
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	2,919,847	2,941,645	(21,798)
Pension	1,814,740	1,039,545	775,195
OPEB	426,809	0	426,809
Total Deferred Inflows of Resources	5,161,396	3,981,190	1,180,206
Net Position			
Net Investment in Capital Assets	19,729,692	20,759,055	(1,029,363)
Restricted	1,073,166	1,104,409	(31,243)
Unrestricted (Deficit)	(16,605,719)	(23,059,629)	6,453,910
Total Net Position	$4,197,139	($1,196,165)	$5,393,304

Total assets decreased $2,027,049 mainly due to a decrease in capital assets due to depreciation expense as well as a decrease in equity in pooled cash and cash equivalents. Deferred outflows of resources increased $731,401 due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities.

Total liabilities decreased $7,869,158 mainly due to decreases in net pension and OPEB liabilities. This was partially offset by increases in accounts payable, accrued wages and benefits payable and intergovernmental payable. Deferred inflows of resources for pension increased $1,180,206 due to changes in actuarially determined amounts related to the School District's proportionate share of the state-wide net pension and OPEB liabilities.

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. 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 School 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 School 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 School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017 from $3,429,566 to a deficit of $1,196,165.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018 compared to 2017. Revenue increased $58,898, mostly due to increases in charges for services and sales, grants and entitlements, investment earnings and insurance recoveries and miscellaneous. These increases were partially offset by decreases in operating grants and contributions, property taxes and proceeds from sale of capital assets. Program expenses decreased $6,975,256 with the largest decrease being in regular instruction. This was primarily the result of negative pension expense relating to Net Pension Liability and Net OPEB Liability. The only program expenses that increased were student intervention services and pupil transportation.

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017 *	Variance
Revenues			
Program Revenues			
Charges for Services and Sales	$1,209,917	$1,159,193	$50,724
Operating Grants and Contributions	2,082,729	2,109,660	(26,931)
Total Program Revenues	3,292,646	3,268,853	23,793
General Revenues			
Property Taxes	4,041,035	4,197,186	(156,151)
Grants and Entitlements	8,509,846	8,364,469	145,377
Investment Earnings	42,358	29,170	13,188
Proceeds from Sale of Capital Assets	0	2,100	(2,100)
Insurance Recoveries and Miscellaneous	88,216	53,425	34,791
Total General Revenues	12,681,455	12,646,350	35,105
Total Revenues	15,974,101	15,915,203	58,898

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2018	2017 *	Variance
Program Expenses			
Instruction			
Regular	$5,175,095	$8,733,676	($3,558,581)
Special	916,742	2,053,671	(1,136,929)
Vocational	30,344	87,356	(57,012)
Student Intervention Services	23,767	7,564	16,203
Other	19,386	33,629	(14,243)
Support Services:			
Pupils	309,298	588,114	(278,816)
Instructional Staff	391,131	439,764	(48,633)
Board of Education	43,933	117,232	(73,299)
Administration	374,324	1,076,221	(701,897)
Fiscal	325,511	408,752	(83,241)
Business	35,563	59,382	(23,819)
Operation and Maintenance of Plant	1,577,800	2,013,122	(435,322)
Pupil Transportation	733,444	712,281	21,163
Central	3,684	59,699	(56,015)
Operation of Non-Instructional Services	486,424	739,846	(253,422)
Extracurricular Activities	107,935	390,602	(282,667)
Interest and Fiscal Charges	26,416	35,142	(8,726)
Total Expenses	10,580,797	17,556,053	(6,975,256)
Change in Net Position	5,393,304	(1,640,850)	7,034,154
Net Position at Beginning of Year	(1,196,165)	N/A	
Net Position at End of Year	$ 4,197,139	$ (1,196,165)	$ 5,393,304

* - As Restated (See Note 21 to the basic financial statements)

Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Expenses				
Instruction:				
Regular	$5,175,095	$4,280,519	$8,733,676	$7,790,616
Special	916,742	(327,121)	2,053,671	779,262
Vocational	30,344	8,700	87,356	64,064
Student Intervention Services	23,767	21,100	7,564	7,137
Other	19,386	17,348	33,629	31,799
Support Services:				
Pupils	309,298	201,834	588,114	477,388
Instructional Staff	391,131	317,304	439,764	380,567
Board of Educatoin	43,933	39,003	117,232	110,610
Administration	374,324	326,966	1,076,221	1,006,822
Fiscal	325,511	290,168	408,752	386,160
Business	35,563	35,367	59,382	57,829
Operation and Maintenance of Plant	1,577,800	1,415,269	2,013,122	1,909,894
Pupil Transportation	733,444	656,412	712,281	675,035
Central	3,684	3,322	59,699	56,353
Operation of Non-Instructional Services:				
Food Service Operations	486,424	(2,934)	739,846	271,414
Extracurricular Activities	107,935	(21,522)	390,602	247,108
Interest and Fiscal Charges	26,416	26,416	35,142	35,142
Total	$10,580,797	$7,288,151	$17,556,053	$14,287,200

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 69% of program expenses activities are supported through taxes and other general revenues.

The School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $15,993,805, expenditures of $16,790,412 and total other financing sources (uses) of $5,022 which resulted in a net decrease in total governmental fund balances of $791,585.

The fund balance of the General Fund decreased $821,364. This decrease is $562,277 more than in fiscal year 2017 when the fund balance of the General fund decreased $259,087. This was mainly due to increases in expenditures for regular instruction and student intervention services as well as increases in expenditures for support services for pupils, instructional staff, administration, fiscal, operation and maintenance of plant and pupil transportation. The General Fund's unassigned fund balance of $22,741 represented less than one percent of current year expenditures.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018 the School District amended its General Fund budget as needed to reflect unexpected increases/decreases in revenues and expenditures. For the General Fund, budget basis revenue was $189,697 more than original estimates of $13,742,847 and $14,046 more than final estimates of $13,918,498 mainly due to more than expected tuition and fees and miscellaneous revenue. Budget basis expenditures were $548,788 less than original estimates of $15,185,190 and $548,787 less than final budget estimates of $15,185,189.

The School District's ending unobligated General Fund balance was $2,035,800.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $20,699,692 invested in land and land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land and Land Improvements	$445,337	$445,337
Buildings and Improvements	18,425,402	19,681,631
Furniture and Equipment	1,728,099	1,871,399
Vehicles	100,854	149,688
Totals	$20,699,692	$22,148,055

See note 8 for more information on capital assets.

Debt

At June 30, 2018, the School District had the following debt outstanding:

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2018	2017
General Obligation Tax Refunding Bonds	$970,000	$1,200,000
Certificates of Participation	0	189,000
Totals	$970,000	$1,389,000

See Note 13 for information on Debt.

On April 4, 2012 the School District issued general obligation bonds for the purpose of refunding 1999 bonds maturing on December 1, 2017 and December 1, 2021 in the aggregate amount of $1,720,000 with a final maturity at December 1, 2021.

On June 15, 2013, the School District issued $945,000 in certificates of participation (COPs), for the acquisition and installation of energy conservation improvements in each of the School District's school buildings. The Certificates shall mature annually on June 1 of each year in the principal amount of $189,000, commencing June 1, 2014 through June 1, 2018, both inclusive and shall bear interest at the rate of two percent (2.00%) per annum.

Economic Factors

The School District depends on the State School Foundation Program and must maintain its prudent spending habits. The financial situation is stable at the present time; however, the School District is unable to predict what effect the budget of the State of Ohio may have on its financial operations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Loretta Wirzfeld, Fairland Local School District Treasurer, 228 Private Drive 10010, Proctorville, Ohio 45669.

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Fairland Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$3,793,566
Accrued Interest Receivable	6,701
Accounts Receivable	3,660
Intergovernmental Receivable	247,690
Property Taxes Receivable	3,740,083
Nondepreciable Capital Assets	445,337
Depreciable Capital Assets, Net	20,254,355
Total Assets	28,491,392
Deferred Outflows of Resources	
Pension	4,864,377
OPEB	165,148
Total Deferred Outflows of Resources	5,029,525
Liabilities	
Accounts Payable	406,793
Accrued Wages and Benefits Payable	1,480,704
Intergovernmental Payable	221,742
Accrued Interest Payable	1,652
Accrued Vacation Benefits Payable	90,249
Long-Term Liabilities:	
Due Within One Year	235,000
Due in More Than One Year	1,418,316
Net Pension Liability (See Note 11)	16,537,967
Net OPEB Liability (See Note 12)	3,769,959
Total Liabilities	24,162,382
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	2,919,847
Pension	1,814,740
OPEB	426,809
Total Deferred Inflows of Resources	5,161,396
Net Position	
Net Investment in Capital Assets	19,729,692
Restricted For:	
Debt Service	300,540
Capital Outlay	5,000
Other Purposes	767,626
Unrestricted (Deficit)	(16,605,719)
Total Net Position	$4,197,139

See the accompanying notes to the basic financial statements.

Fairland Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instruction:				
Regular	$5,175,095	$425,313	$469,263	($4,280,519)
Special	916,742	63,606	1,180,257	327,121
Vocational	30,344	3,356	18,288	(8,700)
Student Intervention Services	23,767	2,667	0	(21,100)
Other	19,386	2,038	0	(17,348)
Support Services:				
Pupils	309,298	24,593	82,871	(201,834)
Instructional Staff	391,131	59,479	14,348	(317,304)
Board of Education	43,933	4,930	0	(39,003)
Administration	374,324	45,402	1,956	(326,966)
Fiscal	325,511	35,343	0	(290,168)
Business	35,563	196	0	(35,367)
Operation and Maintenance of Plant	1,577,800	161,650	881	(1,415,269)
Pupil Transportation	733,444	76,826	206	(656,412)
Central	3,684	362	0	(3,322)
Operation of Non-Instructional Services	486,424	190,886	298,472	2,934
Extracurricular Activities	107,935	113,270	16,187	21,522
Interest and Fiscal Charges	26,416	0	0	(26,416)
Totals	$10,580,797	$1,209,917	$2,082,729	(7,288,151)

General Revenues	
Property Taxes Levied for:	
General Purposes	3,773,057
Debt Service	207,519
Classroom Facilities Maintenance	60,459
Grants and Entitlements not Restricted to Specific Programs	8,509,846
Investment Earnings	42,358
Insurance Recoveries	5,022
Miscellaneous	83,194
Total General Revenues	12,681,455
Change in Net Position	5,393,304
Net Position Beginning of Year-Restated See Note 21	(1,196,165)
Net Position End of Year	$4,197,139

See the accompanying notes to the basic financial statements.

Fairland Local School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,805,706	$987,860	$3,793,566
Receivables:			
Accrued Interest	6,701	0	6,701
Accounts	3,660	0	3,660
Interfund	24,039	0	24,039
Intergovernmental	44,061	203,629	247,690
Property Taxes	3,492,300	247,783	3,740,083
Total Assets	$6,376,467	$1,439,272	$7,815,739
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts Payable	$373,286	$33,507	$406,793
Accrued Wages and Benefits Payable	1,334,614	146,090	1,480,704
Interfund Payable	0	24,039	24,039
Intergovernmental Payable	203,108	18,634	221,742
Total Liabilities	1,911,008	222,270	2,133,278
Deferred Inflows of Resouces			
Property Taxes not Levied to Finance Current Year Operations	2,726,197	193,650	2,919,847
Unavailable Revenue:			
Property Taxes	158,132	11,186	169,318
Grants	9,351	52,413	61,764
Total Deferred Inflows of Resources	2,893,680	257,249	3,150,929
Fund Balances			
Nonspendable	5,623	0	5,623
Restricted for	0	1,003,944	1,003,944
Committed to	355,220	0	355,220
Assigned to	1,188,195	0	1,188,195
Unassigned (Deficit)	22,741	(44,191)	(21,450)
Total Fund Balances	1,571,779	959,753	2,531,532
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$6,376,467	$1,439,272	$7,815,739

See the accompanying notes to the basic financial statements.

Fairland Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances		$2,531,532
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,699,692
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	169,318	
Intergovernmental	61,764	
		231,082
Vacation benefits payable is recognized for earned vacation benefits that are to be used within one year but are not recognized on the balance sheet until due.		(90,249)
The net pension/OPEB liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows-pension	4,864,377	
Deferred outflows-OPEB	165,148	
Deferred inflows-pension	(1,814,740)	
Deferred inflows-OPEB	(426,809)	
Net pension liability	(16,537,967)	
Net OPEB liability	(3,769,959)	
Total		(17,519,950)
Interest payable is accrued for outstanding long-term liabilities, while interest is not reported until due on the balance sheet.		(1,652)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds	(970,000)	
Sick Leave Benefits Payable	(683,316)	
		(1,653,316)
Net Position of Governmental Activities		$4,197,139

See the accompanying notes to the basic financial statements.

Fairland Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	$3,799,163	$269,809	$4,068,972
Intergovernmental	9,272,074	1,280,015	10,552,089
Investment Earnings	42,358	0	42,358
Tuition and Fees	845,673	0	845,673
Extracurricular Activities	59,813	113,545	173,358
Gifts and Donations	21,305	15,970	37,275
Charges for Services	0	190,886	190,886
Miscellaneous	63,839	19,355	83,194
Total Revenues	14,104,225	1,889,580	15,993,805
Expenditures			
Current:			
Instruction:			
Regular	7,214,819	453,061	7,667,880
Special	1,636,395	329,044	1,965,439
Vocational	79,605	0	79,605
Student Intervention Services	23,767	0	23,767
Other	19,066	0	19,066
Support Services:			
Pupils	507,048	86,140	593,188
Instructional Staff	455,286	7,200	462,486
Board of Education	109,893	0	109,893
Administration	1,068,472	0	1,068,472
Fiscal	416,769	8,557	425,326
Business	1,744	0	1,744
Operation and Maintenance of Plant	1,846,952	75,897	1,922,849
Pupil Transportation	883,611	1,625	885,236
Central	3,224	0	3,224
Operation of Non-Instructional Services	75,107	593,170	668,277
Extracurricular Activities	241,459	124,392	365,851
Capital Outlay	68,636	13,365	82,001
Debt Service:			
Principal Retirement	189,000	230,000	419,000
Interest and Fiscal Charges	3,780	23,328	27,108
Total Expenditures	14,844,633	1,945,779	16,790,412
Excess of Revenues Under Expenditures	(740,408)	(56,199)	(796,607)
Other Financing Sources (Uses)			
Transfers In	0	85,978	85,978
Insurance Recoveries	5,022	0	5,022
Transfers Out	(85,978)	0	(85,978)
Total Other Financing Sources (Uses)	(80,956)	85,978	5,022
Net Change in Fund Balances	(821,364)	29,779	(791,585)
Beginning Fund Balances, July 1	2,393,143	929,974	3,323,117
Ending Fund Balances, June 30	$1,571,779	$959,753	$2,531,532

See the accompanying notes to the basic financial statements.

Fairland Local School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		($791,585)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		
Capital Asset Additions	82,001	
Depreciation Expense	(1,521,767)	
		(1,439,766)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(8,597)
Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.		1,178,655
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liabilities are reported as pension/OPEB expense in the statement of activities.		6,087,389
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due:		
Accrued Interest Payable		692
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Taxes	(27,937)	
Intergovernmental	3,211	
		(24,726)
Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		419,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in		
Vacation Benefits Payable	(3,589)	
Sick Leave Benefits Payable	(24,169)	
		(27,758)
Change in Net Position of Governmental Activities		$5,393,304

See the accompanying notes to the basic financial statements.

Fairland Local School District
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property and Other Local Taxes	$3,663,115	$3,774,308	$3,767,268	($7,040)
Intergovernmental	9,249,294	9,297,835	9,257,631	(40,204)
Interest	25,080	38,132	39,242	1,110
Tuition and Fees	791,842	791,842	809,838	17,996
Miscellaneous	13,516	16,381	58,565	42,184
Total Revenues	13,742,847	13,918,498	13,932,544	14,046
Expenditures				
Current:				
Instruction:				
Regular	7,727,868	7,727,867	6,951,865	776,002
Special	1,751,044	1,751,044	1,613,826	137,218
Vocational	82,248	82,248	81,017	1,231
Student Intervention Services	7,563	7,563	23,767	(16,204)
Other	31,820	31,820	22,645	9,175
Support Services:				
Pupils	480,480	480,480	499,396	(18,916)
Instructional Staff	395,868	395,868	435,139	(39,271)
Board of Education	113,890	113,890	118,955	(5,065)
Administration	1,023,172	1,023,172	1,046,270	(23,098)
Fiscal	397,569	397,569	453,497	(55,928)
Business	30,031	30,031	1,744	28,287
Operation and Maintenance of Plant	1,911,288	1,911,288	1,952,482	(41,194)
Pupil Transportation	695,949	695,949	902,646	(206,697)
Central	59,239	59,239	3,224	56,015
Operation of Non-Instructional Services	56,251	56,251	90,199	(33,948)
Extracurricular Activities	224,350	224,350	246,950	(22,600)
Debt Service				
Principal	189,000	189,000	189,000	0
Interest and Fiscal Charges	7,560	7,560	3,780	3,780
Total Expenditures	15,185,190	15,185,189	14,636,402	548,787
Excess of Revenues Under Expenditures	(1,442,343)	(1,266,691)	(703,858)	562,833
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,100	2,100	0	(2,100)
Insurance Recoveries	5,053	5,053	5,022	(31)
Transfers In	0	24,349	24,349	0
Transfers Out	(20,000)	(20,001)	(148,215)	(128,214)
Total Other Financing Sources (Uses)	(12,847)	11,501	(118,844)	(130,345)
Net Change in Fund Balances	(1,455,190)	(1,255,190)	(822,702)	432,488
Beginning Fund Balances, July 1	2,653,311	2,653,311	2,653,311	0
Prior Year Encumbrances Appropriated	205,191	205,191	205,191	0
Ending Fund Balances, June 30	$1,403,312	$1,603,312	$2,035,800	$432,488

See the accompanying notes to the basic financial statements.

Fairland Local School District

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2018

	Agency
Assets	
Equity in Pooled Cash and Cash Equivalents	$52,773
Liabilities	
Due to Students	$52,773

See the accompanying notes to the basic financial statements.

Note 1 - Description of the School District and Reporting Entity

Fairland Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected, five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 59 classified employees, 100 certificated full time teaching personnel and 9 administrators who provide services to 1,682 students.

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

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

The School District is associated with four organizations, one of which is defined as a jointly governed organization, one as a shared risk pool, and two as insurance purchasing pools. The jointly governed organization is the Metropolitan Educational Technology Association (META), the shared risk pool is the Lawrence County Schools' Council of Governments Health Benefits Program, and the insurance purchasing pools are the Ohio School Plan and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Note 2 - Summary of Significant Accounting Policies (Continued)

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements ordinarily distinguish between activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which accounts for student activity programs.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources and net pension liability, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "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 School District, available means expected to be received within sixty days of fiscal year end.

Note 2 - Summary of Significant Accounting Policies (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, investment earnings, tuition and fees, and certain grants.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are further explained in Notes 11 and 12.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations have been recorded as deferred inflows of resources on the statement of net position and on the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2018. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are further explained in Notes 11 and 12.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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. Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to overnight repurchase agreements and certificates of deposit. These nonparticipating investment contracts and certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $42,358 which includes $13,408 assigned from other School District funds.

The School District has a set-aside cash balance for carryover to fiscal year 2019 for budget stabilization. This money is presented as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the Balance Sheet.

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

Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. The certificates of deposit are presented on the financial statements as cash equivalents.

F. 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 government or imposed by enabling legislation. Restricted assets include the amount required by statute to be set-aside by the School District for the budget stabilization balance.

Note 2 - Summary of Significant Accounting Policies (Continued)

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is $5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year of service with the School District. The liability for vacation benefits is recorded as "accrued vacation benefits payable".

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after fifteen years of current service with the School District. The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid. The School District reported no matured compensated absences payable at June 30, 2018.

Note 2 - Summary of Significant Accounting Policies (Continued)

I. 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, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and certificates of participation are recognized as an expenditure and liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

J. Interfund Activity

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

K. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

L. Fund Balance

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

> ***Nonspendable:*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.
>
> ***Restricted:*** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

M. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities for classroom facilities maintenance and federal and state grants restricted to expenditure for specified purposes. The government wide statement of net position reports $1,073,166 of restricted net position, none of which has resulted from enabling legislation.

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

N. 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 2018.

Note 2 - Summary of Significant Accounting Policies (Continued)

O. Estimates

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

P. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board of Education’s authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board of Education. The legal level of control has been established by the Board of Education at the fund level. The School District Treasurer has been given the authority to allocate appropriations among functions and objects within all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

Note 3 - Accountability

The following funds had deficit fund balances at June 30, 2018:

	Deficit Fund Balances
Special Revenue Funds:	
Food Service	$ 43,832
Improving Teacher Quality State Grants	359

The deficits are due to recognition of accrued liabilities in accordance with GAAP. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

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

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

3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).

4. 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 Uniform School Supplies, Public School Support, Unclaimed Monies, Insurance Contingency, and Termination Benefits Funds.

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

Net Change in Fund Balance	
GAAP Basis	($821,364)
Revenue Accruals	(147,332)
Expenditure Accruals	520,143
Encumbrances	(374,149)
Budget Basis	($822,702)

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board 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.

Note 5 - Deposits and Investments (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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, 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 securities listed above;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

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 division (1) or (2) of this section and repurchase agreements secured by such obligations;

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

8. Commercial paper and bankers' acceptances 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. Investments may only be made through specified dealers and institutions.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $2,093,884 of the School District's total bank balance of $2,593,884 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

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

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

Note 5 - Deposits and Investments (Continued)

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

Investments: The School District's investments are reported at fair value. As of June 30, 2018, the School District had the following investment:

	Fair Value	Maturity
Repurchase Agreements	$1,108,412	1 day

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2018. All investments of the School District are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the settlement date and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is that securities must be marked to market daily. To date, no investments have been purchased with a life greater than one day.

Custodial Credit Risk For an investment, custodial credit risk is risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the School District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District.

Concentration of Credit Risk The School 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 School District at June 30, 2018:

Investment Type	Fair Value	% of Total
Repurchase Agreements	$1,108,412	100%

Note 6 - Property Taxes

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

Note 6 - Property Taxes (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represent collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Fairland Local School District. The School District receives property taxes from Lawrence County and Gallia County. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes not levied to finance current year operations.

At June 30, 2018, $650,918 is recognized as revenue: $607,971 in the General Fund, $33,438 in the Bond Retirement Fund and $9,509 in the Classroom Facilities Special Revenue Fund. At June 30, 2017, $616,735 is recognized as revenue: $576,076 in the General Fund, $31,684 in the Bond Retirement Fund and $8,975 in the Classroom Facilities Special Revenue Fund.

Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 6 - Property Taxes (Continued)

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$205,002,250	97%	$204,895,480	96%
Public Utility Personal	7,145,050	3%	7,650,220	4%
Total	$212,147,300	100%	$212,545,700	100%
Tax rate per $1,000 of assessed valuation	$21.60		$21.60	

Note 7 - Receivables

Receivables at June 30, 2018 consisted of accrued interest, accounts receivable, property taxes and intergovernmental grants. 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. All receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
General Fund	$44,061
Special Revenue Funds:	
Special Education - Grants to States	126,517
Title I Grants to Local Educational Agencies	65,828
Improving Teacher Quality State Grants	11,284
Total Special Revenue Funds	203,629
Total Intergovernmental Receivables	$247,690

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Capital Assets:				
Capital Assets not being depreciated:				
Land and Land Improvements	$445,337	$0	$0	$445,337
Total Capital Assets not being Depreciated	445,337	0	0	445,337
Depreciable Capital Assets:				
Buildings and Improvements	42,284,780	0	0	42,284,780
Furniture and Equipment	4,135,129	82,001	(33,280)	4,183,850
Vehicles	1,368,632	0	0	1,368,632
Total Capital Assets being Depreciated	47,788,541	82,001	(33,280)	47,837,262
Less Accumulated Depreciation				
Buildings and Improvements	(22,603,149)	(1,256,229)	0	(23,859,378)
Furniture and Equipment	(2,263,730)	(216,704)	24,683	(2,455,751)
Vehicles	(1,218,944)	(48,834)	0	(1,267,778)
Total Accumulated Depreciation	(26,085,823)	(1,521,767) *	24,683	(27,582,907)
Total Capital Assets being Depreciated, Net	21,702,718	(1,439,766)	(8,597)	20,254,355
Capital Assets, Net	$22,148,055	($1,439,766)	($8,597)	$20,699,692

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$1,309,532
Special	$881
Vocational	434
Other	1,229
Support Services:	
Instructional Staff	5,158
Business	33,819
Operation of Plant	65,287
Pupil Transportation	50,248
Central	460
Food Service Operations	15,745
Extracurricular Activities	38,974
Total Depreciation Expense	$1,521,767

The School District’s capital assets reported above include $6,105,847 in fully depreciated assets that are still being utilized by the School District.

Note 9 - Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2018, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool for property, fleet, and liability insurance. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (see Note 16).

The type and amount of coverage provided follows:

Building and Contents-replacement cost ($2,500 deductible)	$67,797,868
Automobile Liability:	
Liability	2,000,000
Medical Payments	5,000
Uninsured Motorists	1,000,000

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	$2,000,000
Aggregate Limit	4,000,000
Products – Completed Operations Aggregate Limit	2,000,000
Fire Damage Limit	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Bodily Injury By Accident – Each Accident	2,000,000
Bodily Injury By Disease	2,000,000
Bodily Injury By Disease – Each Employee	2,000,000
Employee Benefits Liability:	
Employee Benefits Injury – Each Offense Limit	2,000,000
Employee Benefits Injury Aggregate Limit	4,000,000
Educational Legal Liability:	
Each Occurrence	2,000,000
Aggregate Limit	4,000,000

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 the prior fiscal year.

Note 9 - Risk Management (Continued)

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Note 16) to provide employee medical benefits. Rates are set through an annual calculation process. The School District pays monthly premiums to the fiscal agent, which is placed into a Council Fund from which claim payments are made for all participating school districts. The School District pays 85% of the premium for certified employees who were hired prior to September 1, 2015 and classified employees who are not members of the non-teaching bargaining unit. The School District pays 80% of the premium for certified employees hired on or after September 1, 2015. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014.

Claims are paid for all participants regardless of claims flow. Upon withdrawal from the program, no further contribution will be made and the school district will be distributed their net pooled share and all claims submitted by covered members of the School District after the distribution will be exclusively the liability of the School District.

Note 10 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year, earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers, administrators, and classified employees who are contracted to work less than 260 days per year do not earn vacation time.

Teachers and administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 307 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 67 days.

Note 10 - Employee Benefits (Continued)

Classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 300 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 75 days.

B. Life Insurance and Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all employees through The Guardian Life Insurance Company of America. The coverage amount is $40,000 for certified and classified employees.

Dental coverage is provided through The Guardian Life Insurance Company of America. Premiums for this coverage are $70.13 monthly for family and $21.68 monthly for single coverage. Certified employees contribute $7 for family coverage and $2 for single coverage. Classified employees contribute $4 for family coverage and $2 for single coverage.

Health insurance is provided by the Lawrence County Schools Council of Governments Health Benefits Program (see Note 16). Premiums for this coverage are $2,156 for family coverage and $873 for single coverage. The School District pays 85% of the premium for certified employees who were hired prior to September 1, 2015 and classified employees who are not members of the non-teaching bargaining unit. The School District pays 80% of the premium for certified employees hired on or after September 1, 2015. The School District also pays 85% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired prior to October 1, 2014. The School District pays 80% of the premium for classified employees who are members of the non-teaching bargaining unit who were hired on or after October 1, 2014.

Vision insurance is provided through The Guardian Life Insurance Company of America. The School District pays 100% of the $9.05 monthly premium for each employee. Employees may contribute $10.41 per month to purchase family coverage if they so desire.

Note 11 – 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 School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Note 11 – Defined Benefit Pension Plans (Continued)

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contributions to SERS were $253,149 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

Note 11 – Defined Benefit Pension Plans (Continued)

payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity 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 the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS were $882,982 for fiscal year 2018. Of this amount, $168,685 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the 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	0.06339690%	0.05599997%	
Proportion of the Net Pension Liability Current Measurement Date	0.06032890%	0.05444467%	
Change in Proportionate Share	-0.00306800%	-0.00155530%	
Proportionate Share of the Net Pension Liability	$3,604,519	$12,933,448	$16,537,967
Pension Expense	($168,460)	($5,367,342)	($5,535,802)

Note 11 – Defined Benefit Pension Plans (Continued)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$155,124	$499,430	$654,554
Changes of assumptions	186,392	2,828,687	3,015,079
Changes in proportion and differences between School District contributions and proportionate share of contributions	58,613	0	58,613
School District contributions subsequent to the measurement date	253,149	882,982	1,136,131
Total Deferred Outflows of Resources	$653,278	$4,211,099	$4,864,377
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$104,238	$104,238
Net difference between projected and actual earnings on pension plan investments	17,109	426,819	443,928
Changes in proportion and differences between School District contributions and proportionate share of contributions	154,564	1,112,010	1,266,574
Total Deferred Inflows of Resources	$171,673	$1,643,067	$1,814,740

$1,136,131 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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:			
2019	$105,839	$187,041	$292,880
2020	184,466	775,195	959,661
2021	22,633	596,583	619,216
2022	(84,482)	126,231	41,749
Total	$228,456	$1,685,050	$1,913,506

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

Note 11 - Defined Benefit Pension Plans (Continued)

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, 2017, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, 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 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	$5,002,135	$3,604,519	$2,433,730

Note 11 – Defined Benefit Pension Plans (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017 actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Note 11 – Defined Benefit Pension Plans (Continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$18,539,658	$12,933,448	$8,211,057

Note 12 – Postemployment Benefits

Net OPEB Liability

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

Note 12 – Postemployment Benefits (Continued)

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 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

Note 12 – Postemployment Benefits (Continued)

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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $33,148.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $42,524 for fiscal year 2018. Of this amount, $33,148 is reports as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Note 12 – Postemployment Benefits (Continued)

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.06339690%	0.05599997%	
Proportion of the Net OPEB Liability Current Measurement Date	0.06132230%	0.05444467%	
Change in Proportionate Share	-0.00207460%	-0.00155530%	
Proportionate Share of the Net OPEB Liability	$1,645,729	$2,124,230	$3,769,959
OPEB Expense	$96,614	($648,201)	($551,587)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$122,624	$122,624
School District contributions subsequent to the measurement date	42,524	0	42,524
Total Deferred Outflows of Resources	$42,524	$122,624	$165,148
Deferred Inflows of Resources			
Changes of assumptions	$156,171	$171,114	$327,285
Net difference between projected and actual earnings on OPEB plan investments	4,346	90,794	95,140
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	4,384	0	4,384
Total Deferred Inflows of Resources	$164,901	$261,908	$426,809

$42,524 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Note 12 – Postemployment Benefits (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($59,258)	($30,781)	($90,039)
2020	(59,258)	(30,781)	(90,039)
2021	(45,297)	(30,781)	(76,078)
2022	(1,088)	(30,779)	(31,867)
2023	0	(8,082)	(8,082)
Thereafter	0	(8,080)	(8,080)
Total	($164,901)	($139,284)	($304,185)

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, 2017 are presented below:

Note 12 – Postemployment Benefits (Continued)

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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:

Note 12 – Postemployment Benefits (Continued)

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$1,987,428	$1,645,729	$1,375,017

Note 12 – Postemployment Benefits (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	$1,335,386	$1,645,729	$2,056,474

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017 actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

<u>Note 12 – Postemployment Benefits</u> (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent 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. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 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 Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

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

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Note 12 – Postemployment Benefits (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$2,851,745	$2,124,230	$1,549,256

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$1,475,824	$2,124,230	$2,977,608

Note 13 - Long Term Obligations

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

	Principal Outstanding 6/30/2017*	Additions	Reductions	Principal Outstanding 6/30/2018	Amounts Due in One Year
Governmental Activities					
GO Tax Refunding Bonds 2012 - 2.15%	$1,200,000	$0	$230,000	$970,000	$235,000
Certificates of Participation 2013 - 2%	189,000	0	189,000	0	0
Net Pension Liability	23,384,946	0	6,846,979	16,537,967	0
Net OPEB Liability	4,659,627		889,668	3,769,959	0
Sick Leave Benefits	659,147	59,974	35,805	683,316	0
Total Governmental Activities Long-Term Liabilities	$30,092,720	$59,974	$8,191,452	$21,961,242	$235,000

*As restated. See note 21 for additional information

Note 13 - Long Term Obligations (Continued)

On April 4, 2012 the School District issued general obligation bonds for the purpose of refunding the 1999 bonds maturing on December 1, 2017 and December 1, 2021 in the aggregate outstanding amount of $1,720,000 with a final maturity at December 1, 2021. The General Obligation Tax Refunding Bonds will be paid from the Bond Retirement Fund. The School District refunded its debt to reduce its total debt service payments over ten years by $377,970 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $19,466.

On June 15, 2013 the School District issued $945,000 in certificates of participation (COPs) to finance the acquisition and installation of energy conservation improvements in each of the School District's school buildings. The COPs were issued pursuant to a Trust Indenture in accordance with Section 3313.375 of the Ohio Revised Code dated as of June 15, 2013 between the School District and U.S. Bank National Association, as Trustee. The COPs have been designated to be qualified tax exempt obligations within the meaning of 26 U.S.C. 265(b)(3). Each of the Certificates represents a fractionalized interest in the obligation of the School District to make certain lease payments under a renewable Lease Agreement dated June 15, 2013. A portion of the lease payments is designated as principal and a portion is designated as interest. The initial term of the lease was until June 30, 2013, provided that the School District shall have the right to renew for a total of not more than five (5) additional one-year renewal terms as determined by the Treasurer, beginning on July 1, 2013 and continuing on July 1 of each year thereafter through and including the last renewal term which shall not be later than July 1, 2017 to June 30, 2018.The School District is required under the lease to make the lease payments to the Trustee and the Trustee is required to distribute the lease payments to the owners of the Certificates as provided in the Trust Indenture. The School District authorized that the Certificates be sold to the Treasurer of the County of Lawrence, Ohio at a price of 100% of the par value thereof. The Certificates shall mature annually on June 1 of each year in the principal amount of $189,000, commencing June 1, 2014 through June 1, 2018, both inclusive, and shall bear interest at the rate of two percent (2.00%) per annum. The COPs will be repaid from the General Fund.

Sick leave benefits will be paid from the General Fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

Annual requirement to general obligation tax refunding bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	235,000	18,329	253,329
2020	240,000	13,223	253,223
2021	245,000	8,009	253,009
2022	250,000	2,688	252,688
Total	$970,000	$42,249	$1,012,249

The overall debt margin of the School District as of June 30, 2018 was $18,450,956 with an unvoted debt margin of $212,546.

The School District has a commercial guarantee relating to its automated clearing house credits agreement which is used by the School District for processing payroll direct deposit transactions.

Note 14 - Interfund Activity and Balances

A. Transfers

During fiscal year 2018 the General Fund made a transfer to the Food Service Fund in the amount of $110,327 and a transfer to the Uniform School Supplies Fund in the amount of $37,888 to cover deficit balances in those funds. In accordance with Governmental Accounting Standards Board Statement No. 54, the School District combined the Uniform School Supplies Fund with the General Fund for financial reporting purposes. As such, these transfers have been eliminated from the statement of revenues, expenditures and changes in fund balances. In addition, the Food Service Fund made a transfer to the General Fund in the amount of $24,349 which represented the Federal reimbursement for December 2016 received after the end of fiscal year 2017. Prior to the end of fiscal year 2017, the General Fund made a transfer to the Food Service Fund to cover the deficit in the Food Service Fund. This was netted against the $110,327 on the statement of revenues, expenditures and changes in fund balances resulting in an amount of $85,978.

B. Interfund Balances

The General Fund reports an interfund receivable in the amount of $24,039 as a result of a negative budgetary basis balance in the IDEA Part B Fund which has reported an interfund payable in the amount of $24,039.

Note 15 - Jointly Governed Organization

Metropolitan Educational Technology Association Regional Council of Governments (META)

The Metropolitan Educational Technology Association Regional Council of Governments (META) is organized under ORC Code Chapter 167 as a regional council of governments. META is a product of the merger of the Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), South Eastern Ohio Voluntary Education Cooperative (SEOVEC) and Metropolitan Dayton Educational Cooperative Association (MDECA) and the Asset Purchase Agreement entered into with South Central Ohio Computer Association (SCOCA). META subsumes and integrates in a single entity the formerly distinct functions, membership and personnel of MEC, TRECA, SEOVEC, MDECA and SCOCA. META operates as, and has all the powers of, a Data Acquisition Site/Information Technology Center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. A full member of META is a city, county, exempted village, local, joint vocational or cooperative education school district or educational service center that meets the membership qualifications. The General Assembly of META consists of one delegate from each full member. The member's superintendent (or equivalent official) or his/her designee serves as the member's delegate to the General Assembly. The sole authority of the General Assembly is to discuss and make recommendations to the Board of Directors regarding services rendered by the Association, a basic fee schedule, new Association ventures, the election of officers as provided in the by-laws, the annual estimate and apportionment of Association Costs, the annual Association budget, and other matters referred to the General Assembly by the Board of Directors or Chief Executive Officer.

Note 15 - Jointly Governed Organization (Continued)

The Board of Directors of META consists of thirteen (13) voting d0irectors, each a superintendent or business official (treasurer, technology officer or business manager) representing a different full member of META. All five regions (Athens, Columbus, Dayton, Marion and Piketon) may be represented on the board with two members for each region and three at-large members. Only the superintendent or business official of a board of education of a full member is eligible to serve as a voting director of the Board of Directors. The Board of Directors shall approve new Association ventures, approve and amend the annual Association budget, approve a basic fee schedule, approve the annual estimate and apportionment of Association costs, elect officers as provided in the by-laws, amend the Association constitution, call the General Assembly together as needed and/or act on any other matter related to the business of the Association. The School District paid SCOCA/META $183,290 for services provided during the fiscal year. Financial information can be obtained from Metropolitan Educational Technology Association at100 Executive Drive, Marion, Ohio 43302.

Note 16 - Public Entity Risk Pools

A. Insurance Purchasing Pools

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

B. Shared Risk Pool

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council) which is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a council, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The council exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council. Each school district reserves the right to withdraw from the plan. If this is done, no further contribution will be made and the School District will be distributed their net pooled share

Note 16 - Public Entity Risk Pools (Continued)

and all claims submitted by covered members of the School District after the distribution will be exclusively the liability of the School District.

Note 17 - Set-Aside Calculations and Fund Balance Restrictions

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish set-aside balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget stabilization set-aside. During fiscal year 2004, the Board of Education approved maintaining the budget stabilization funds in the budget stabilization set-aside pursuant to State Statute and at June 30, 2018, this continues to be set aside.

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

	Budget Stabilization	Capital Acquisition
Set-Aside Balance as of June 30, 2017	$43,460	$0
Current Year Set-Aside Requirement	0	294,995
Current Year Offsets	0	(267,521)
Qualifying Disbursements	0	(100,868)
Totals	$43,460	($73,394)
Set-Aside Balance Carried Forward to Future Fiscal Years	$43,460	$0
Set-Aside Balance as of June 30, 2018	$43,460	$0

Note 18 – Fund Balances

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Unclaimed Monies	$5,623	$0	$5,623
Restricted:			
Classroom Projects and Maintenance	0	662,773	662,773
Other Purposes	0	6,828	6,828
Debt Service	0	291,843	291,843
Extracurricular Activities	0	42,500	42,500
Total Restricted	0	1,003,944	1,003,944
Committed:			
Insurance Contingency	55,097	0	55,097
Severance Benefits	239,047	0	239,047
Other Purposes	61,076	0	61,076
Total Committed	355,220	0	355,220
Assigned:			
Other Purposes	19,275	0	19,275
Student and Staff Support	118,920	0	118,920
FY19 Appropriations in Excess of Estimated Receipts	1,050,000	0	1,050,000
Total Assigned	1,188,195	0	1,188,195
Unassigned (Deficit)	22,741	(44,191)	(21,450)
Total Fund Balances	$1,571,779	$959,753	$2,531,532

Note 19 - Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at fiscal year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

Fund	Amount
General	$395,202
Nonmajor Governmental Funds	38,229
Total	$433,431

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Litigation

The School District is not a party to any legal proceedings.

C. Foundation

School 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 the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District and does not anticipate any further FTE adjustments for fiscal year 2018. The School District has recognized a receivable of $4,439 from ODE.

Note 21 - Implementation of Accounting Pronouncements/Restatement of Beginning Net Position

For the fiscal year ended June 30, 2018, the School District was required to implement Governmental Accounting Standards Board Statements No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," No. 81, "Irrevocable Split-Interest Agreements," No. 85, "Omnibus 2017," and No. 86, "Certain Debt Extinguishment Issues."

GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The School District implemented GASB 75, which resulted in expanded note disclosures and required supplementary information, restatement of beginning net position, and recognition of additional deferred inflows and outflows of resources and liabilities.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Statement No. 81 requires that a government recognize revenue when the resources become applicable to the reporting period. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Note 21 - Implementation of Accounting Pronouncements/Restatement of Beginning Net Position (Continued)

GASB Statement No. 85 addresses issues found during the application of: 1) blending a component unit in circumstances in which the primary government is a business-type activity reporting in a single column for financial statement presentation; 2) reporting amounts previously reported as goodwill and “negative” goodwill; 3) classifying real estate held by insurance entities; 4) measuring certain money market investments and participating interest-earning investment contracts at amortized cost; 5) timing of the measurement of pension and other postemployment benefits (OPEB) liabilities and related expenditures recognized in financial statements prepared using the current financial resources measurement focus; 6) recognizing on-behalf payments for pensions or OPEB in employer financial statements; and 7) simplifying certain aspects of the alternative measurement method for OPEB. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Under Statement No. 7, “Advance Refundings Resulting in Defeasance of Debt,” government entities must consider debt to be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. Statement No. 86 generally follows the same requirements as Statement No. 7 when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

Except as noted above, none of these Statements had an impact on the School District’s financial statements or note disclosures.

The implementation of GASB Statement No. 75 had the following effect on beginning net position.

Net Position, As Reported, June 30, 2017	$3,429,566
Restatements:	
GASB 75 Implementation:	
Deferred Outflows of Resources	33,896
Net OPEB Liability	(4,659,627)
Net Position, As Restated, July 1, 2016	($1,196,165)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Fairland Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years

	2014	2015	2016	2017	2018
State Teachers Retirement System					
School District's proportion of the net pension liability	0.06072489%	0.06072489%	0.05822600%	0.05599997%	0.05444467%
School District's proportionate share of the net pension liability	$17,594,398	$14,770,395	$16,091,964	$18,744,878	$12,933,448
School District's covered-employee payroll	$7,039,838	$6,749,092	$6,099,836	$6,047,657	$5,885,029
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.9%	218.9%	263.8%	310.0%	219.8%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	66.8%	75.3%
School Employees Retirement System					
School District's proportion of the net pension liability	0.06318000%	0.06318000%	0.06217360%	0.06339690%	0.06032890%
School District's proportionate share of the net pension liability	$3,757,112	$3,197,504	$3,547,686	$4,640,068	$3,604,519
School District's covered-employee payroll	$1,755,932	$1,727,893	$1,871,750	$1,968,871	$2,224,286
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.0%	185.1%	189.5%	235.7%	162.1%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	63.0%	69.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2014.

Fairland Local School District

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net OPEB Liability

Last Two Fiscal Years

	2017	2018
State Teachers Retirement System		
School District's proportion of the net OPEB liability	0.05599997%	0.05444467%
School District's proportionate share of the net OPEB liability	$2,911,715	$2,124,230
School District's covered-employee payroll	$6,047,657	$5,885,029
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	48.1%	36.1%
Plan fiduciary net position as a percentage of the total OPEB liability	37.3%	47.1%
School Employees Retirement System		
School District's proportion of the net OPEB liability	0.06339690%	0.06132230%
School District's proportionate share of the net OPEB liability	$1,747,912	$1,645,729
School District's covered-employee payroll	$1,968,871	$2,224,286
School District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	88.8%	74.0%
Plan fiduciary net position as a percentage of the total OPEB liability	11.5%	12.5%

The amounts presented are as of the School District's measurement date, which is the prior fiscal year end.
Information not available prior to 2017.

Fairland Local School District
Required Supplementary Information
Schedule of School District Contributions
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
State Teachers Retirement System										
Contractually required contribution - pension	$883,351	$852,654	$899,798	$833,254	$915,179	$877,382	$853,977	$846,672	$823,904	$882,982
Contractually required contribution - OPEB	67,950	65,589	69,215	64,096	70,398	67,491	0	0	0	0
Contractually required contribution - total	951,301	918,243	969,013	897,350	985,577	944,873	853,977	846,672	823,904	882,982
Contributions in relation to the contractually required contribution	951,301	918,243	969,013	897,350	985,577	944,873	853,977	846,672	823,904	882,982
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
School District's covered-employee payroll	$6,795,008	$6,558,877	$6,921,523	$6,409,646	$7,039,838	$6,749,092	$6,099,836	$6,047,657	$5,885,029	$6,307,014
Contributions as a percentage of covered-employee payroll - pension	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%	14.00%
Contributions as a percentage of covered-employee payroll - OPEB	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
School Employees Retirement System										
Contractually required contribution - pension	$171,926	$376,878	$214,901	$237,708	$243,021	$239,486	$246,697	$275,642	$311,400	$253,149
Contractually required contribution - OPEB (1)	72,684	12,804	24,448	9,720	2,809	2,419	15,348	0	0	9,376
Contractually required contribution - total	244,610	389,682	239,349	247,428	245,830	241,905	262,045	275,642	311,400	262,525
Contributions in relation to the contractually required contribution	244,610	389,682	239,349	247,428	245,830	241,905	262,045	275,642	311,400	262,525
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
School District's covered-employee payroll	$1,747,215	$2,783,442	$1,709,634	$1,767,346	$1,755,932	$1,727,893	$1,871,750	$1,968,871	$2,224,286	$1,875,178
Contributions as a percentage of covered-employee payroll - pension	9.84%	13.54%	12.57%	13.45%	13.84%	13.86%	13.18%	14.00%	14.00%	13.50%
Contributions as a percentage of covered-employee payroll - OPEB	4.16%	0.46%	1.43%	0.55%	0.16%	0.14%	0.82%	0.00%	0.00%	0.50%
Contributions as a percentage of covered-employee payroll - total	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) Excludes surcharge.

State Teachers Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the cost of living adjustment (COLA) was reduced to 0 percent effective July 1, 2017.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

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

OPEB

Changes in benefit terms

For fiscal year 2018, STRS has the following changes in benefit terms since the previous measurement date:

- The HealthSpan HMO plans were eliminated.
- The subsidy multiplier for non-Medicare benefit recipients was reduced to 1.9 percent per year of service from 2.1 percent.
- Medicare Part B premium reimbursements were discontinued for survivors and beneficiaries who were age 65 by 2008 and either receiving a benefit or named as a beneficiary as of January 1, 2008.
- The remaining Medicare Part B premium reimbursements will be phased out over a three-year period.

Changes in assumptions

For fiscal year 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB 74.
- The long-term rate of return was reduced to 7.45 percent.
- Valuation-year per capita health costs were updated.
- The percentage of future retirees electing each option was updated based on current data.
- The assumed future trend rates were modified.
- Decrement rates including mortality, disability, retirement, and withdrawal were modified.
- The assumed percentage of future disabled retirees assumed to elect health coverage was decreased from 84 percent to 65 percent, and the assumed percentage of terminated vested participants assumed to elect health coverage at retirement was decreased from 47 percent to 30 percent.
- The assumed salary scale was modified.

School Employees Retirement System

Pension

Changes in benefit terms

For fiscal year 2018, the following were the most significant changes in benefit that affected the total pension liability since the prior measurement date:

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

Changes in assumptions

The following changes were made to the actuarial assumptions as identified. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

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

OPEB

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

For fiscal year 2018, the following was the most significant change of assumptions that affected the total OPEB liability since the prior measurement date:

- The discount rate was increased from 2.98 percent to 3.63.

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FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Grant Year**	**Passed Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2017-2018	$ 0	$ 11,053
Cash Assistance:				
School Breakfast Program	10.553	2017-2018	0	76,646
National School Lunch Program	10.555	2017-2018	0	241,741
Total Child Nutrition Cluster			0	329,440
Total U.S. Department of Agriculture			0	329,440
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies	84.010	2017	0	63,999
		2018	0	304,197
Total Title I Grants to Local Educational Agencies			0	368,196
Special Education Cluster:				
Special Education Grants to States	84.027	2017	0	44,611
		2018	0	279,663
Total Special Education Cluster			0	324,274
Supporting Effective Instruction State Grants	84.367	2017	0	607
		2018	0	50,195
Total Supporting Effective Instruction State Grants			0	50,802
Total U.S. Department of Education			0	743,272
Total Expenditures of Federal Awards			**$ 0**	**$ 1,072,712**

The accompanying notes are an integral part of this schedule.

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Farland Local School District (the School District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

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, the major fund, and the aggregate remaining fund information of the Fairland Local School District, Lawrence County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 26, 2019 wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 School 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 School 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 School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2019

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

Fairland Local School District
Lawrence County
228 Private Drive 10010
Proctorville, Ohio 45669

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Fairland Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Fairland Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Fairland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

March 26, 2019

FAIRLAND LOCAL SCHOOL DISTRICT
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OHIO AUDITOR OF STATE
KEITH FABER

FAIRLAND LOCAL SCHOOL DISTRICT

LAWRENCE 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
MARCH 28, 2019