



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY  
JUNE 30, 2018**

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HURON COUNTY  
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## INDEPENDENT AUDITOR'S REPORT

Monroeville Local School District  
Huron County  
101 West Street  
Monroeville, Ohio 44847

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 Monroeville Local School District, Huron County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Monroeville Local School District, Huron 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 Note 3 to the financial statements, during 2018, the 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

March 1, 2019

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$4,386,378 from 2017's restated net position (see Note 3.A).
- General revenues accounted for \$7,701,095 in revenue or 81.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,798,969 or 18.94% of total revenues of \$9,500,064.
- The District had \$5,113,686 in expenses related to governmental activities; \$1,798,969 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,701,095 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$8,598,939 in revenues and other financing sources and \$7,647,066 in expenditures. During fiscal year 2018, the general fund's fund balance increased \$951,873 from a balance of \$1,320,126 to \$2,271,999.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for students or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

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

***Required Supplementary Information***

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



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities 2018	Restated Governmental Activities 2017
<b><u>Assets</u></b>		
Current and other assets	\$ 6,203,167	\$ 5,322,606
Capital assets, net	<u>7,968,047</u>	<u>8,136,849</u>
Total assets	<u>14,171,214</u>	<u>13,459,455</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	146,825	151,992
Pension	2,416,394	2,077,549
OPEB	<u>81,276</u>	<u>14,602</u>
Total deferred outflows of resources	<u>2,644,495</u>	<u>2,244,143</u>
<b><u>Liabilities</u></b>		
Current liabilities	834,042	829,629
Long-term liabilities:		
Due within one year	222,438	215,040
Due in more than one year:		
Net pension liability	8,071,971	11,366,911
Net OPEB liability	1,795,229	2,299,983
Other amounts	<u>4,920,966</u>	<u>5,013,301</u>
Total liabilities	<u>15,844,646</u>	<u>19,724,864</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	2,342,259	2,406,406
Pensions	626,604	213,907
OPEB	<u>257,401</u>	-
Total deferred inflows of resources	<u>3,226,264</u>	<u>2,620,313</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	3,314,287	3,424,182
Restricted	558,280	576,798
Unrestricted (deficit)	<u>(6,127,768)</u>	<u>(10,642,559)</u>
Total net position (deficit)	<u>\$ (2,255,201)</u>	<u>\$ (6,641,579)</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

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.

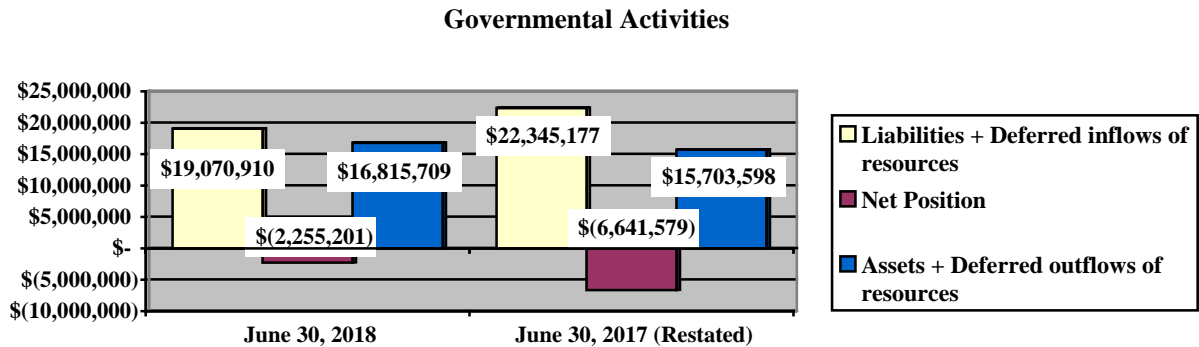
As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$4,356,198) to (\$6,641,579).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by (\$2,255,201).

At fiscal year-end, capital assets represented 56.23% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2018, was \$3,314,287. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$558,280, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$6,127,768.

The graph below illustrates the governmental activities assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Change in Net Position</b>	
	Governmental Activities 2018	Restated Governmental Activities 2017
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,061,591	\$ 1,013,656
Operating grants and contributions	737,378	799,467
General revenues:		
Property taxes	2,993,503	2,957,250
Income taxes	1,289,213	1,286,191
Grants and entitlements	3,285,393	3,363,525
Investment earnings	40,953	15,261
Other	92,033	25,449
Total revenues	9,500,064	9,460,799

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**Change in Net Position (Continued)**

	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,941,311	\$ 3,859,118
Special	749,482	1,125,656
Vocational	81,423	209,550
Support services:		
Pupil	83,459	225,729
Instructional staff	253,839	407,529
Board of education	5,975	21,103
Administration	365,384	719,441
Fiscal	309,287	388,180
Business	6,510	20,670
Operations and maintenance	441,172	604,615
Pupil transportation	258,880	424,315
Central	8,363	3,707
Operations of non-instructional services:		
Food service operations	195,227	285,194
Other non-instructional services	40,571	70,913
Extracurricular activities	209,573	361,313
Interest and fiscal charges	<u>163,230</u>	<u>220,636</u>
Total expenses	<u>5,113,686</u>	<u>8,947,669</u>
Change in net position	4,386,378	513,130
Net position (deficit) at beginning of year (restated)	<u>(6,641,579)</u>	N/A
Net position (deficit) at end of year	<u><u>\$ (2,255,201)</u></u>	<u><u>\$ (6,641,579)</u></u>

**Governmental Activities**

Net position of the District's governmental activities increased \$4,386,378. Total governmental expenses of \$5,113,686 were offset by program revenues of \$1,798,969 and general revenues of \$7,701,095. Program revenues supported 35.18% of the total governmental expenses.

The other primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 79.66% of total governmental revenue.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$14,602 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$293,955. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 5,113,686
Negative OPEB expense under GASB 75	293,955
2018 contractually required contributions	<u>20,072</u>
Adjusted 2018 program expenses	5,427,713
Total 2017 program expenses under GASB 45	<u>8,947,669</u>
Decrease in program expenses not related to OPEB	<u><u>\$ (3,519,956)</u></u>

Overall, expenses of the governmental activities decreased \$3,833,983 or 42.85%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$2,650,686) in pension expense and (\$293,955) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense, by function, for 2018 and 2017 follows:

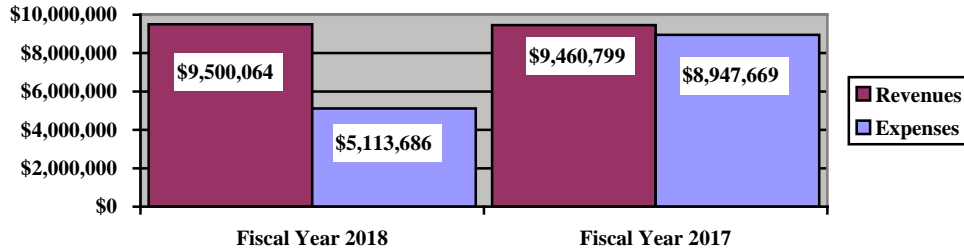
	2018 Pension Expense	2017 Pension Expense	Increase (Decrease)
Program expenses:			
Instruction:			
Regular	\$ (1,268,684)	\$ 416,054	\$ (1,684,738)
Special	(255,615)	80,563	(336,178)
Vocational	(97,393)	29,718	(127,111)
Support services:			
Pupil	(104,590)	31,836	(136,426)
Instructional staff	(122,789)	42,652	(165,441)
Board of education	(5,422)	1,989	(7,411)
Administration	(284,373)	90,041	(374,414)
Fiscal	(84,081)	24,745	(108,826)
Operations and maintenance	(146,961)	46,464	(193,425)
Pupil transportation	(108,415)	37,700	(146,115)
Operation of non-instructional services:			
Food service operations	(52,058)	17,449	(69,507)
Other non-instructional services	(19,331)	6,559	(25,890)
Extracurricular activities	<u>(100,974)</u>	<u>32,046</u>	<u>(133,020)</u>
Total	<u><u>\$ (2,650,686)</u></u>	<u><u>\$ 857,816</u></u>	<u><u>\$ (3,508,502)</u></u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2018 and 2017.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As stated above, fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years.

**Governmental Activities**

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,941,311	\$ 1,104,255	\$ 3,859,118	\$ 3,092,598
Special	749,482	335,551	1,125,656	643,561
Vocational	81,423	55,022	209,550	183,766
Support services:				
Pupil	83,459	83,459	225,729	225,729
Instructional staff	253,839	205,604	407,529	358,756
Board of education	5,975	5,975	21,103	21,103
Administration	365,384	335,948	719,441	693,034
Fiscal	309,287	309,287	388,180	388,180
Business	6,510	6,510	20,670	20,670
Operations and maintenance	441,172	441,172	604,615	604,615
Pupil transportation	258,880	238,912	424,315	406,237
Central	8,363	1,654	3,707	(4,657)
Operations of non-instructional services:				
Other non-instructional services	40,571	(22,445)	70,913	4,085
Food service operations	195,227	(82,136)	285,194	9,948
Extracurricular activities	209,573	132,719	361,313	266,285
Interest and fiscal charges	163,230	163,230	220,636	220,636
<b>Total expenses</b>	<u><u>\$ 5,113,686</u></u>	<u><u>\$ 3,314,717</u></u>	<u><u>\$ 8,947,669</u></u>	<u><u>\$ 7,134,546</u></u>

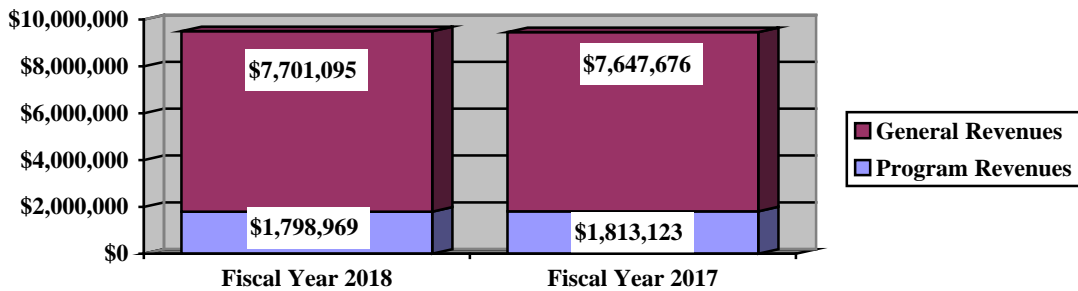
**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent as 53.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 64.82%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio as a whole are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,854,204, which is higher than last year's total of \$1,866,626. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	<u>Fund Balance</u> <u>June 30, 2018</u>	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
General fund	\$ 2,271,999	\$ 1,320,126	\$ 951,873	72.10 %
Nonmajor governmental funds	582,205	546,500	35,705	6.53 %
<b>Total</b>	<u><u>\$ 2,854,204</u></u>	<u><u>\$ 1,866,626</u></u>	<u><u>\$ 987,578</u></u>	52.91 %

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

***General Fund***

The District's general fund balance increased from the previous year by \$951,873.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,991,160	\$ 3,975,202	\$ 15,958	0.40 %
Tuition	786,645	723,320	63,325	8.75 %
Earnings on investments	40,930	15,243	25,687	168.52 %
Intergovernmental	3,522,294	3,568,047	(45,753)	(1.28) %
Other revenues	149,394	81,761	67,633	82.72 %
Total	<u>\$ 8,490,423</u>	<u>\$ 8,363,573</u>	<u>\$ 126,850</u>	1.52 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,543,388	\$ 4,637,551	\$ (94,163)	(2.03) %
Support services	2,732,575	2,530,288	202,287	7.99 %
Extracurricular activities	200,001	191,953	8,048	4.19 %
Debt service	171,102	151,958	19,144	12.60 %
Total	<u>\$ 7,647,066</u>	<u>\$ 7,511,750</u>	<u>\$ 135,316</u>	1.80 %

Revenues of the general fund increased from the prior year by 1.52%. This increase can partly be attributed to an increase of tuition revenue of \$63,325 due to an increase in open enrollment during fiscal year 2018. Other revenues increased \$67,633 or 82.72% due to various reimbursements received by the District throughout the fiscal year. Intergovernmental revenue decreased \$45,753 due to a decrease in funds received from the State of Ohio.

In total, expenditures of the general fund only increased \$135,316 or 1.80%. Support services expenditures increased \$202,287, mainly due to increases in school administration services and non-certificated employee's salaries and wages.

***General Fund Budgeting Highlights***

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

For the general fund, original and final budgeted revenues amounted to \$8,317,622. Actual revenues for fiscal year 2018 were \$8,394,864. This represents a \$77,242 increase from final budgeted revenues.

General fund original appropriations of \$7,857,275 were decreased to \$7,561,904 for the final budget. The actual budget basis expenditures for fiscal year 2018 totaled \$7,548,241, which was \$13,663 less than the final budget appropriations.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2018, the District had \$7,968,047 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2018 balances compared to June 30, 2017:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 302,965	\$ 302,965
Land improvements	78,107	84,364
Building and improvements	7,108,589	7,291,849
Furniture, fixtures and equipment	258,430	207,452
Vehicles	219,956	250,219
Total	\$ 7,968,047	\$ 8,136,849

The overall decrease in capital assets of \$168,802 is due to depreciation expense of \$281,753 exceeding capital outlays of \$112,951.

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

*Debt Administration*

At June 30, 2018, the District had \$4,207,655 in general obligation bonds outstanding, \$153,766 in capital lease obligations and \$40,811 in lease purchase obligations. Of the outstanding obligations total, \$204,693 is due within one year and \$4,197,539 is due in greater than one year. The following table summarizes the bonds, capital leases, and lease purchase obligation outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2018	2017
General obligation bonds	\$ 4,207,655	\$ 4,312,990
Capital lease obligations	153,766	123,544
Lease purchase obligation	40,811	50,155
Total	\$ 4,402,232	\$ 4,486,689

See Note 12 to the basic financial statements for additional information on the District's debt administration.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

**Current Financial Related Activities**

The District relies on property taxes, income tax, entitlements and grants. With the passage of the 1.5 percent Earned Income Tax (fiscal year 2013 \$1.1 million) in November 2009, the tax revenue is split between income, real estate, and farming. The District is mainly rural and has a very small industrial base; however, with the loss of tangible personal property, the small amount derived from industry will be gone.

This District passed a 10-year Emergency Operating Levy on May 5, 2015. This amounts to an annual tax collection of \$443,000, which is equivalent to 4.95 mills of property tax. Tax collections began January 1, 2015 and were payable starting in calendar year 2016.

The facilities were overcrowded and have been updated significantly to meet the enrollment needs and additional course offerings necessary to be academically proficient. On November 6, 2012, the voters approved a 2.6 mill bond issue (\$4,195,000) to build a new PK-3 building on our existing site, connected to current buildings with a hallway. This new addition along with expansion of our cafeteria and the addition of an elevator in the high school was completed in fiscal year 2015. Existing modular classrooms have been removed when the new building opened. This bond has been refinanced to save the taxpayers 14.66 percent, which is equivalent to \$762,828 over the life of the bond.

A permanent improvement renewal levy was passed on the November 6, 2018 ballot. The renewal levy will continue to generate approximately \$80,000 each year.

Labor negotiations were settled and resulted in wage increases for all staff. Wages will increase 1% for 2018-2019 and 1% for 2019-2020.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Stephanie L. Hanna, Treasurer, Monroeville Local School District, 101 West Street, Monroeville, Ohio 44847.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 2,669,007
Receivables:	
Property taxes . . . . .	2,981,318
Income taxes. . . . .	444,506
Accounts. . . . .	25
Accrued interest . . . . .	1,733
Intergovernmental . . . . .	84,100
Prepayments . . . . .	14,983
Materials and supplies inventory. . . . .	1,087
Inventory held for resale. . . . .	6,408
Capital assets:	
Nondepreciable capital assets . . . . .	302,965
Depreciable capital assets, net. . . . .	7,665,082
Capital assets, net . . . . .	7,968,047
Total assets. . . . .	14,171,214
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	146,825
Pension (Note 15). . . . .	2,416,394
OPEB (Note 16) . . . . .	81,276
Total deferred outflows of resources . . . . .	2,644,495
 <b>Liabilities:</b>	
Accounts payable. . . . .	66,383
Accrued wages and benefits payable . . . . .	574,822
Intergovernmental payable . . . . .	65,557
Pension and postemployment benefits payable. . . . .	104,164
Accrued interest payable . . . . .	23,116
Long-term liabilities:	
Due within one year. . . . .	222,438
Due in more than one year:	
Net pension liability (Note 15). . . . .	8,071,971
Net OPEB liability (Note 16) . . . . .	1,795,229
Other amounts due in more than one year. . . . .	4,920,966
Total liabilities . . . . .	15,844,646
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	2,342,259
Pension (Note 15). . . . .	626,604
OPEB (Note 16) . . . . .	257,401
Total deferred inflows of resources . . . . .	3,226,264
 <b>Net position:</b>	
Net investment in capital assets . . . . .	3,314,287
Restricted for:	
Capital projects . . . . .	144,801
Debt service. . . . .	348,776
Locally funded programs . . . . .	9,984
State funded programs. . . . .	10,937
Federally funded programs . . . . .	25,131
Student activities . . . . .	14,955
Other purposes . . . . .	3,696
Unrestricted (deficit) . . . . .	(6,127,768)
Total net position (deficit). . . . .	\$ (2,255,201)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 1,941,311	\$ 811,013	\$ 26,043
Special . . . . .	749,482	3,482	410,449
Vocational . . . . .	81,423	-	26,401
Support services:			
Pupil . . . . .	83,459	-	-
Instructional staff . . . . .	253,839	-	48,235
Board of education . . . . .	5,975	-	-
Administration . . . . .	365,384	29,436	-
Fiscal . . . . .	309,287	-	-
Business . . . . .	6,510	-	-
Operations and maintenance . . . . .	441,172	-	-
Pupil transportation . . . . .	258,880	-	19,968
Central . . . . .	8,363	-	6,709
Operation of non-instructional services:			
Food service operations . . . . .	195,227	147,828	129,535
Other non-instructional services . . . . .	40,571	-	63,016
Extracurricular activities . . . . .	209,573	69,832	7,022
Interest and fiscal charges . . . . .	163,230	-	-
Total governmental activities . . . . .	\$ 5,113,686	\$ 1,061,591	\$ 737,378
 <b>General revenues:</b>			
Property taxes levied for:			
General purposes . . . . .			2,724,466
Debt service . . . . .			192,242
Capital outlay . . . . .			76,795
Income taxes levied for:			
General purposes . . . . .			1,289,213
Grants and entitlements not restricted to specific programs . . . . .			
			3,285,393
Investment earnings . . . . .			40,953
Miscellaneous . . . . .			92,033
Total general revenues . . . . .			7,701,095
Change in net position . . . . .			4,386,378
<b>Net position (deficit) at beginning of year (restated) . . . . .</b>			<b>(6,641,579)</b>
<b>Net position (deficit) at end of year . . . . .</b>			<b>\$ (2,255,201)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,118,854	\$ 546,457	\$ 2,665,311
Receivables:			
Property taxes . . . . .	2,712,965	268,353	2,981,318
Income taxes . . . . .	444,506	-	444,506
Accounts . . . . .	25	-	25
Accrued interest . . . . .	1,733	-	1,733
Intergovernmental . . . . .	20,574	63,526	84,100
Prepayments . . . . .	14,186	797	14,983
Materials and supplies inventory . . . . .	-	1,087	1,087
Inventory held for resale . . . . .	-	6,408	6,408
Due from other funds . . . . .	18,901	-	18,901
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	3,696	-	3,696
Total assets . . . . .	<u>\$ 5,335,440</u>	<u>\$ 886,628</u>	<u>\$ 6,222,068</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 62,426	\$ 3,957	\$ 66,383
Accrued wages and benefits payable . . . . .	520,816	54,006	574,822
Intergovernmental payable . . . . .	64,740	817	65,557
Pension and postemployment benefits payable . . . . .	96,190	7,974	104,164
Due to other funds . . . . .	-	18,901	18,901
Total liabilities . . . . .	<u>744,172</u>	<u>85,655</u>	<u>829,827</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	2,132,079	210,180	2,342,259
Delinquent property tax revenue not available . . . . .	84,803	8,588	93,391
Income tax revenue not available . . . . .	102,387	-	102,387
Total deferred inflows of resources . . . . .	<u>2,319,269</u>	<u>218,768</u>	<u>2,538,037</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	-	1,087	1,087
Prepays . . . . .	14,186	797	14,983
Unclaimed monies . . . . .	2,679	-	2,679
Restricted:			
Debt service . . . . .	-	365,817	365,817
Capital improvements . . . . .	-	142,288	142,288
Food service operations . . . . .	-	10,552	10,552
Non-public schools . . . . .	-	7,745	7,745
Special education . . . . .	-	233	233
Targeted academic assistance . . . . .	-	1,408	1,408
Other purposes . . . . .	-	41,851	41,851
Extracurricular . . . . .	-	14,955	14,955
School bus purchases . . . . .	3,696	-	3,696
Assigned:			
Student and staff support . . . . .	14,380	-	14,380
Unassigned (deficit) . . . . .	<u>2,237,058</u>	<u>(4,528)</u>	<u>2,232,530</u>
Total fund balances . . . . .	<u>2,271,999</u>	<u>582,205</u>	<u>2,854,204</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,335,440</u>	<u>\$ 886,628</u>	<u>\$ 6,222,068</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

<b>Total governmental fund balances</b>		\$	2,854,204
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,968,047
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the governmental funds.			
Property taxes receivable	\$	93,391	
Income taxes receivable		102,387	
Total			195,778
Unamortized deferred charges on debt refundings are not recognized in the funds.			146,825
Unamortized amounts on refundings are not recognized in the funds.			(443,360)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(23,116)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		2,416,394	
Deferred inflows of resources - pension		(626,604)	
Net pension liability		(8,071,971)	
Total			(6,282,181)
The net 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 of resources - OPEB		81,276	
Deferred inflows of resources - OPEB		(257,401)	
Net OPEB liability		(1,795,229)	
Total			(1,971,354)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
General obligation bonds		(4,207,655)	
Capital lease obligations		(153,766)	
Lease purchase obligations		(40,811)	
Compensated absences		(297,812)	
Total			(4,700,044)
<b>Net position (deficit) of governmental activities</b>		<b>\$</b>	<b>(2,255,201)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 2,707,616	\$ 267,312	\$ 2,974,928
Income taxes . . . . .	1,283,544	-	1,283,544
Tuition . . . . .	786,645	-	786,645
Earnings on investments . . . . .	40,930	26	40,956
Charges for services . . . . .	-	147,828	147,828
Extracurricular . . . . .	29,436	69,832	99,268
Classroom materials and fees . . . . .	27,850	-	27,850
Contributions and donations . . . . .	75	7,422	7,497
Other local revenues . . . . .	92,033	25,315	117,348
Intergovernmental - state . . . . .	3,522,294	99,532	3,621,826
Intergovernmental - federal . . . . .	-	418,316	418,316
Total revenues . . . . .	<u>8,490,423</u>	<u>1,035,583</u>	<u>9,526,006</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,487,300	25,693	3,512,993
Special . . . . .	858,366	231,965	1,090,331
Vocational . . . . .	197,722	-	197,722
Support services:			
Pupil . . . . .	223,302	19,557	242,859
Instructional staff . . . . .	393,853	51,295	445,148
Board of education . . . . .	13,206	-	13,206
Administration . . . . .	747,946	-	747,946
Fiscal . . . . .	423,527	5,795	429,322
Business . . . . .	6,353	-	6,353
Operations and maintenance . . . . .	550,909	-	550,909
Pupil transportation . . . . .	371,450	-	371,450
Central . . . . .	2,029	6,334	8,363
Operation of non-instructional services:			
Food service operations . . . . .	-	259,957	259,957
Other non-instructional services . . . . .	-	64,954	64,954
Extracurricular activities . . . . .	200,001	84,743	284,744
Facilities acquisition and construction . . . . .	-	45,812	45,812
Debt service:			
Principal retirement . . . . .	128,629	64,344	192,973
Interest and fiscal charges . . . . .	42,473	139,429	181,902
Total expenditures . . . . .	<u>7,647,066</u>	<u>999,878</u>	<u>8,646,944</u>
Excess of revenues over expenditures . . . . .	<u>843,357</u>	<u>35,705</u>	<u>879,062</u>
<b>Other financing sources:</b>			
Capital lease transaction . . . . .	108,516	-	108,516
Net change in fund balances . . . . .	951,873	35,705	987,578
<b>Fund balances at beginning of year . . . . .</b>	<u>1,320,126</u>	<u>546,500</u>	<u>1,866,626</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,271,999</u>	<u>\$ 582,205</u>	<u>\$ 2,854,204</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<b>Net change in fund balances - total governmental funds</b>	\$	987,578
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 112,951	
Current year depreciation	<u>(281,753)</u>	
Total		(168,802)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Property taxes	18,575	
Income taxes	5,669	
Intergovernmental	<u>(50,186)</u>	
Total		(25,942)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	105,335	
Capital leases	78,294	
Lease purchase	<u>9,344</u>	
Total		192,973
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net position.		
		(108,516)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities.		
Decrease in accrued interest payable	1,509	
Amortization of bond premiums	22,330	
Amortization of deferred charges	<u>(5,167)</u>	
Total		18,672
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		570,402
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		2,650,686
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		20,072
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		293,955
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Increase in compensated absences		<u>(44,700)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>4,386,378</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,599,905	\$ 2,599,905	\$ 2,624,049	\$ 24,144
Income taxes. . . . .	1,308,373	1,308,373	1,320,523	12,150
Tuition. . . . .	779,382	779,382	786,620	7,238
Earnings on investments . . . . .	40,072	40,072	40,444	372
Classroom materials and fees . . . . .	26,599	26,599	26,846	247
Other local revenues . . . . .	85,380	85,380	86,173	793
Intergovernmental - state . . . . .	<u>3,477,911</u>	<u>3,477,911</u>	<u>3,510,209</u>	<u>32,298</u>
Total revenues . . . . .	<u>8,317,622</u>	<u>8,317,622</u>	<u>8,394,864</u>	<u>77,242</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,592,273	3,475,219	3,469,173	6,046
Special. . . . .	893,082	862,760	861,861	899
Vocational. . . . .	202,982	215,512	215,282	230
Support services:				
Pupil. . . . .	212,335	214,886	214,656	230
Instructional staff . . . . .	416,887	415,390	414,764	626
Board of education . . . . .	17,276	17,409	17,409	-
Administration. . . . .	721,518	721,357	717,153	4,204
Fiscal . . . . .	571,495	404,387	404,245	142
Business . . . . .	238	239	239	-
Operations and maintenance. . . . .	528,416	563,650	562,827	823
Pupil transportation . . . . .	415,250	391,452	391,093	359
Central. . . . .	223	2,029	2,029	-
Extracurricular activities. . . . .	202,605	195,158	195,054	104
Debt service:				
Principal . . . . .	50,335	50,335	50,335	-
Interest and fiscal charges. . . . .	32,360	32,121	32,121	-
Total expenditures . . . . .	<u>7,857,275</u>	<u>7,561,904</u>	<u>7,548,241</u>	<u>13,663</u>
Net change in fund balance . . . . .	460,347	755,718	846,623	90,905
<b>Fund balance at beginning of year . . . . .</b>	1,166,842	1,166,842	1,166,842	-
<b>Prior year encumbrances appropriated . . . . .</b>	65,319	65,319	65,319	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,692,508</u>	<u>\$ 1,987,879</u>	<u>\$ 2,078,784</u>	<u>\$ 90,905</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . .	\$ 93,796	\$ 59,057
Cash and investments in segregated accounts. . .	34,056	-
Investments . . . . .	55,448	-
Receivables:		
Accrued interest. . . . .	16	-
Held in trust for scholarship. . . . .	17,865	-
Total assets. . . . .	\$ 201,181	\$ 59,057
<b>Liabilities:</b>		
Accounts payable. . . . .	\$ -	\$ 618
Due to students. . . . .	-	58,439
Total liabilities . . . . .	-	\$ 59,057
<b>Net position:</b>		
Held in trust for scholarships . . . . .	201,181	
Total net position. . . . .	\$ 201,181	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
<b>Additions:</b>		
Interest . . . . .	\$	698
Gifts and contributions . . . . .		17,193
Total additions . . . . .		<u>17,891</u>
 <b>Deductions:</b>		
Scholarships awarded . . . . .		<u>23,286</u>
Change in net position . . . . .		(5,395)
<b>Net position at beginning of year . . . . .</b>		<u>206,576</u>
<b>Net position at end of year . . . . .</b>	<b>\$</b>	<b><u>201,181</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

The Monroeville Local School District (the "District") is located in Huron County and encompasses the Village of Monroeville and portions of surrounding townships in Huron and Erie Counties.

The District was established through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates one elementary school and one comprehensive high school. The District employs 28 non-certified and 57 certified employees to provide services to 610 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of various representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. During fiscal year 2018, the District paid \$23,895 to the BACG. The BACG consists of the superintendent of each school district. The Board of Directors of the BACG consist of 1 elected representative of each county, the superintendent of the fiscal agent and 2 nonvoting members (administrator and fiscal agent). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

EHOVE Career Center (Center)

The Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The Center accepts non-tuition students from the District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the District.

Northern Ohio Educational Computer Association (NOECA)

NOECA is a jointly governed organization among various school districts. NOECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. During fiscal year 2018, the District paid \$26,298 to NOECA. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the North Point Educational Service Center, who serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

*RELATED ORGANIZATION*

Monroeville Public Library

The District appoints the trustees of the library and approves its budget to comply with State code requirements but is not involved in budgeting or management of the library and does not subsidize and finance the operation of the library.

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a public entity risk pool.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by writing to Betty Schwiefert, who serves as fiscal officer, at 4918 Milan Road, Sandusky, Ohio 44870.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

*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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's only major governmental fund:

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

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

*FIDUCIARY FUNDS*

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 7).

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 15 and 16 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

For the District, see Notes 15 and 16 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2018 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2018.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of budgetary control is established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the fiscal year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the fiscal year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations, if any, are legally enacted by the Board prior to June 30, 2018. There were several supplemental appropriation modifications in fiscal year 2018. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2018, investments were limited to non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and STAR Plus. Investments in non-negotiable certificates are reported at cost while investments in STAR Ohio are reported at amortized cost as described below.

In fiscal year 2018, the District invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, the building fund (a nonmajor governmental fund), permanent improvement fund (a nonmajor governmental fund) and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$40,930, which includes \$12,986 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. 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 year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$500. 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. The District does not possess infrastructure.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from negative cash balances are classified as “due to/due from other funds”. These amounts are eliminated in the governmental activities column of the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**K. 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 from current financial resources are reported as obligations of the funds. However, claims and judgements, compensated absences, net pension liabilities, and net OPEB liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and the capital leases are recognized on the fund financial statements when due.

**L. Fund Balance**

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

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

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

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

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

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

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

**O. Parochial Schools**

Within the District boundaries, St. Joseph Elementary is operated through the Toledo Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District are reflected in a special revenue fund for financial reporting purposes.

**P. Estimates**

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

**Q. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. At June 30, 2018, the District reports restricted assets for monies restricted by State Statute for school bus purchases.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**R. 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 basic financial statements.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

**T. Issuance Costs/Bond Premiums**

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

**U. Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/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.



**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 16 to the basic financial statements and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The Governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ (4,356,198)
Deferred outflows - payments subsequent to measurement date	14,602
Net OPEB liability	(2,299,983)
Restated net position at July 1, 2017	\$ (6,641,579)

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficit:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Title I - Disadvantaged Children	<u>\$ 4,528</u>

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At year-end, the District had \$2,150 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**B. Cash and Investments in Segregated Accounts**

At fiscal year-end, the District had \$34,056 in cash and investments deposited separately from the District's internal accounts that is held for the Melvin Fisher Trust in the District's private purpose trust fund. This amount is not included in the total amount of deposits reported below and is reported on the financial statements as "cash and investments in segregated accounts".

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$197,878. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2018, the District’s entire bank balance of \$234,112, including non-negotiable certificates of deposit and a STAR Ohio Plus account, was covered by the FDIC.

**D. Investments**

As of June 30, 2018, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	<u>Measurement Value</u>	Investment <u>Maturity</u> 6 months or <u>less</u>
Amortized Cost:		
STAR Ohio	\$ 2,677,280	\$ 2,677,280
	\$ 2,677,280	\$ 2,677,280

The District’s weighted average maturity for investments in STAR Ohio is 1 day.

*Interest Rate Risk:* The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District’s policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not address investment credit risk beyond the requirements of State statutes.

*Concentration of Credit Risk:* The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

Measurement/ <u>Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized Cost:		
STAR Ohio	\$ 2,677,280	100.00
	\$ 2,677,280	100.00

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 197,878
Cash and investments in segregated accounts	34,056
Investments	2,677,280
Cash on hand	2,150
Total	\$ 2,911,364
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,669,007
Private purpose trust	183,300
Agency funds	59,057
Total	\$ 2,911,364

**NOTE 5 - INTERFUND TRANSACTIONS**

Due to/from other funds consisted of the following at June 30, 2018, as reported in the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 18,901

The balance resulted from a negative cash balance in the IDEA Part B fund (a nonmajor governmental fund) and the Title I, Disadvantaged Children fund (a nonmajor governmental fund) at fiscal year-end. The balances are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron County and Erie County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$496,083 in the general fund, \$35,944 in the bond retirement fund (a nonmajor governmental fund) and \$13,641 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$412,516 in the general fund, \$29,807 in the bond retirement fund (a nonmajor governmental fund) and \$11,323 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 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.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 102,457,520	96.56	\$ 102,811,580	96.47
Public utility personal	<u>3,646,220</u>	<u>3.44</u>	<u>3,763,600</u>	<u>3.53</u>
Total	<u>\$ 106,103,740</u>	<u>100.00</u>	<u>\$ 106,575,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.45		\$38.45	

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 7 - INCOME TAX**

The District has authorized, through voter approval, an annual 1.5 percent school district income tax levied on the income of individuals and estates on a continual basis. The tax is to be used for normal operating expenses of the District and is credited to the general fund. The income tax revenue credited to the general fund during fiscal year 2018 was \$1,283,544.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2018 consisted of property taxes, income taxes, intergovernmental, accounts (tuition), and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 2,981,318
Income taxes	444,506
Accounts	25
Accrued interest	1,733
Intergovernmental	<u>84,100</u>
Total	<u><u>\$ 3,511,682</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 302,965	\$ -	\$ -	\$ 302,965
Total capital assets, not being depreciated	<u>302,965</u>	<u>-</u>	<u>-</u>	<u>302,965</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	272,698	-	-	272,698
Buildings and improvements	9,541,469	-	-	9,541,469
Furniture, fixtures and equipment	1,910,298	112,951	(65,169)	1,958,080
Vehicles	<u>832,031</u>	<u>-</u>	<u>-</u>	<u>832,031</u>
Total capital assets, being depreciated	<u>12,556,496</u>	<u>112,951</u>	<u>(65,169)</u>	<u>12,604,278</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(188,334)	(6,257)	-	(194,591)
Buildings and improvements	(2,249,620)	(183,260)	-	(2,432,880)
Furniture, fixtures and equipment	(1,702,846)	(61,973)	65,169	(1,699,650)
Vehicles	<u>(581,812)</u>	<u>(30,263)</u>	<u>-</u>	<u>(612,075)</u>
Total accumulated depreciation	<u>(4,722,612)</u>	<u>(281,753)</u>	<u>65,169</u>	<u>(4,939,196)</u>
Governmental activities capital assets, net	<u>\$ 8,136,849</u>	<u>\$ (168,802)</u>	<u>\$ -</u>	<u>\$ 7,968,047</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 137,666
Special	55
Vocational	1,419
<u>Support services:</u>	
Pupil	1,225
Instructional staff	544
Administration	10,990
Fiscal	1,313
Business	157
Operations and maintenance	31,706
Pupil transportation	32,287
Non-instructional	200
Food service operation	4,697
Extracurricular	<u>59,494</u>
Total depreciation expense	<u>\$ 281,753</u>



**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During fiscal year 2018, the District entered into a capital lease for copiers to go along with capital leases for buses and computers entered into during prior years. These lease agreements met the criteria of a capital lease as defined by GAAP, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balance of governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

Capital assets consisting of buses and copiers have been capitalized in the amount of \$636,170. These amounts represent the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2018 totaled \$78,294 paid by the general fund.

Computer equipment in the amount of \$134,331 has not been capitalized since the assets do not meet the District's capitalization threshold. A liability of \$153,766 at June 30, 2018 has been recorded in the government-wide financial statements.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30	Total
2019	\$ 90,692
2020	24,574
2021	24,574
2022	24,574
2023	2,049
Total minimum lease payments	166,463
Less: amount representing interest	(12,697)
Present value of minimum lease payments	\$ 153,766

**NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

During fiscal year 2016, the District entered into a lease-purchase agreement with Capital Government Corporation. This lease meets the criteria of a lease-purchase as defined by GAAP, which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. This lease was used to acquire stadium lighting equipment. At June 30, 2018, capital assets acquired by lease purchase have been capitalized under buildings and improvements in the amount of \$69,875. Accumulated depreciation of \$8,735 has been booked as of June 30, 2018 leaving a book value of \$61,140. Lease-purchase payments have been reflected as debt service expenditures from the permanent improvement fund (a nonmajor governmental fund). Principal and interest payments totaled \$9,344 and \$1,779, respectively.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2018.

Fiscal Year Ending <u>June 30</u>	<u>Total</u>
2019	\$ 11,123
2020	11,124
2021	11,123
2022	<u>11,124</u>
Total minimum lease payments	44,494
Less: amount representing interest	<u>(3,683)</u>
Present value of minimum lease payments	<u>\$ 40,811</u>

**NOTE 12 - LONG-TERM OBLIGATIONS**

During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/18</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Series 2010 qualified school construction bonds	\$ 477,990	\$ -	\$ (50,335)	\$ 427,655	\$ 51,335
Series 2013 general obligation bonds	115,000	-	(55,000)	60,000	60,000
Series 2016 refunding bonds	3,720,000	-	-	3,720,000	-
Capital lease obligations	123,544	108,516	(78,294)	153,766	83,683
Lease-purchase agreement	50,155	-	(9,344)	40,811	9,675
Net pension liability	11,366,911	-	(3,294,940)	8,071,971	-
Net OPEB liability	2,299,983	-	(504,754)	1,795,229	-
Compensated absences	<u>275,962</u>	<u>38,990</u>	<u>(17,140)</u>	<u>297,812</u>	<u>17,745</u>
Total long-term obligations, governmental activities	<u>\$ 18,429,545</u>	<u>\$ 147,506</u>	<u>\$ (4,009,807)</u>	14,567,244	<u>\$ 222,438</u>
Add: Unamortized premiums				<u>443,360</u>	
Total on statement of net position				<u>\$ 15,010,604</u>	

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2010 Qualified School Construction Bonds

On October 28, 2010, the District issued \$770,000 in Series 2010 general obligation bonds which are comprised of serial bonds. The bonds bear an annual interest rate of 6.82 percent and the bonds mature February 1, 2026. These bonds consisted of Qualified School Construction Bonds (QSCBs). The QSCBs were authorized by the federal government through the American Recovery and Reinvestment Act (ARRA). These bonds were issued as tax credit bonds under which the bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The QSCBs were issued for the purpose of improving the energy efficiency of District buildings and are being retired from the general fund.

Series 2013 General Obligation Bonds

During fiscal year 2013, the District issued \$4,195,000 in Series 2013 general obligation bonds to provide funds for various District building projects. The bonds interest rate ranges from 1.0% - 5.0% and mature December 1, 2018. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the bond retirement fund.

Series 2016 Refunding Bonds

During fiscal year 2017, the District issued \$3,775,000 in Series 2016 refunding bonds to refund \$3,785,000 of the Series 2013 general obligation bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$3,720,000.

The issue is comprised of current interest bonds, par value \$3,775,000. The interest rate on the current interest bonds is a range between 2.00% and 4.00%.

The reacquisition price exceeded the net carrying amount of the old debt by \$156,298. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which has a final maturity date of December 1, 2046.

Capital Lease Obligations

See Note 10 for detail on the District's capital lease obligations.

Lease-Purchase Agreement

See Note 11 for detail on the District's lease-purchase agreement.

Net Pension Liability

The District's net pension liability is described in Note 15. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability

The District's net OPEB liability is described in Note 16. The District pays obligations related to employee compensation from the fund benefitting from their service.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated Absences

Compensated absences will be paid from the funds which the employees are paid, which for the District, is the general fund and the food service fund (a nonmajor governmental fund).

Future Debt Service Requirements

Principal and interest requirements to retire the long-term debt obligations outstanding at June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Series 2010 Qualified School Construction Bonds			Series 2013 General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 51,335	\$ 29,166	\$ 80,501	\$ 60,000	\$ 600	\$ 60,600
2020	52,335	25,655	77,990	-	-	-
2021	52,335	22,096	74,431	-	-	-
2022	52,330	18,527	70,857	-	-	-
2023	53,330	14,958	68,288	-	-	-
2024 - 2026	165,990	22,775	188,765	-	-	-
Total	<u>\$ 427,655</u>	<u>\$ 133,177</u>	<u>\$ 560,832</u>	<u>\$ 60,000</u>	<u>\$ 600</u>	<u>\$ 60,600</u>

Fiscal Year Ending June 30,	Series 2016 Refunding Bonds		
	Principal	Interest	Total
2019	\$ -	\$ 135,900	\$ 135,900
2020	70,000	135,200	205,200
2021	70,000	133,800	203,800
2022	75,000	132,350	207,350
2023	80,000	130,800	210,800
2024 - 2028	440,000	627,700	1,067,700
2029 - 2033	555,000	544,100	1,099,100
2034 - 2038	720,000	416,400	1,136,400
2039 - 2043	875,000	257,300	1,132,300
2044 - 2047	835,000	68,700	903,700
Total	<u>\$ 3,720,000</u>	<u>\$ 2,582,250</u>	<u>\$ 6,302,250</u>

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018 are a voted debt margin of \$5,749,928 (including available funds of \$365,817) and an unvoted debt margin of \$106,575.

**NOTE 13 - EMPLOYEE BENEFITS**

Certain full-time employees that work year round, are eligible for paid vacation days which must be used by the end of their contract the following year. Employees may carry over five unused vacation days; however, they must be used by June 30 of the following year. Employees are entitled to a number of weeks of vacation based on their length of employment with the District. Employees with less than 10 years are entitled to two weeks, employees who have worked between ten and twenty years are entitled to three weeks and employees with twenty or more years are entitled to four weeks of paid vacation.

Full-time employees earn one and a quarter (1 ¼) days of sick leave per month, credited at the end of the month for all employees. The sick leave is cumulative for all employees who were actively employed or on approved leave the 1997-1998 school year.

A part-time employee will have his or her accumulative sick leave prorated and brought forward.

Employees hired for the 1998-1999 school year and thereafter are permitted to accumulate up to two hundred and sixty five (265) days of sick leave. Employees hired prior to the 1998-1999 school year are not permitted to accumulate more sick leave than the employee had accumulated, but not used, as of June 30, 2007.

Any employee of the District who has five or more years of current, consecutive years of service in the District and ten or more years of public service at the time of retirement or death is eligible to be paid in cash (or to estate) for a total of one-fourth (1/4) of the accrued unused sick leave to a maximum of fifty-five (55) days for classified employees and sixty-six and a quarter (66 ¼) days for certified employees.

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with Ohio School Plan for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the prior year.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**B. Health Care Benefits**

The District provides employee health care benefits through membership in the Huron-Erie School Employees Insurance Association, a public entity risk management pool. Monthly payments are made to the Association for health and dental insurance coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the Association will purchase stop loss insurance policies from commercial insurance carriers to cover any yearly claims in excess of 120 percent of the prior year's aggregate claims. Individual coverage cannot exceed \$1,000,000 in claims during their lifetime. Financial information can be obtained by writing to the North Point Educational Service Center, 4918 Milan Road, Sandusky, Ohio 44870.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 16.

**C. Workers' Compensation Plan**

For fiscal year 2018, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the 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.

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	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.

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.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

The District's contractually required contribution to SERS was \$129,030 for fiscal year 2018. Of this amount, \$11,020 is reported as pension and postemployment benefits payable.

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

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

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

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

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



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$441,372 for fiscal year 2018. Of this amount, \$76,272 is reported as pension and postemployment benefits payable.

***Net Pension Liability***

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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.028147100%	0.027803900%	
Proportion of the net pension liability current measurement date	<u>0.027056600%</u>	<u>0.027174660%</u>	
Change in proportionate share	<u>-0.001090500%</u>	<u>-0.000629240%</u>	
Proportionate share of the net pension liability	\$ 1,616,572	\$ 6,455,399	\$ 8,071,971
Pension expense	\$ (81,652)	\$ (2,569,034)	\$ (2,650,686)

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 69,572	\$ 249,280	\$ 318,852
Changes of assumptions	83,595	1,411,866	1,495,461
Difference between District contributions and proportionate share of contributions/change in proportionate share	31,679	-	31,679
District contributions subsequent to the measurement date	129,030	441,372	570,402
Total deferred outflows of resources	\$ 313,876	\$ 2,102,518	\$ 2,416,394
	SERS	STRS	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 52,028	\$ 52,028
Net difference between projected and actual earnings on pension plan investments	7,671	213,037	220,708
Difference between District contributions and proportionate share of contributions/change in proportionate share	106,423	247,445	353,868
Total deferred inflows of resources	\$ 114,094	\$ 512,510	\$ 626,604

\$570,402 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ 41,371	\$ 214,060	\$ 255,431
2020	58,569	503,863	562,432
2021	8,494	355,433	363,927
2022	(37,682)	75,280	37,598
Total	\$ 70,752	\$ 1,148,636	\$ 1,219,388

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - SERS*

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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 disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 2,243,382	\$ 1,616,572	\$ 1,091,491

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Actuarial Assumptions - STRS Ohio*

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.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

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

**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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 9,253,594	\$ 6,455,399	\$ 4,098,338

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. 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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

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

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .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 District's surcharge obligation was \$15,293.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$20,072 for fiscal year 2018. Of this amount, \$15,701 is reported as pension and postemployment benefits payable.

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

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



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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Net OPEB Liability*

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 District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.028523420%	0.027803900%	
Proportion of the net OPEB liability current measurement date	<u>0.027386200%</u>	<u>0.027174660%</u>	
Change in proportionate share	<u>-0.001137220%</u>	<u>-0.000629240%</u>	
Proportionate share of the net OPEB liability	\$ 734,974	\$ 1,060,255	\$ 1,795,229
OPEB expense	\$ 34,384	\$ (328,339)	\$ (293,955)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 61,204	\$ 61,204
District contributions subsequent to the measurement date	<u>20,072</u>	<u>-</u>	<u>20,072</u>
Total deferred outflows of resources	<u>\$ 20,072</u>	<u>\$ 61,204</u>	<u>\$ 81,276</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,941	\$ 45,318	\$ 47,259
Changes of assumptions	69,745	85,407	155,152
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>26,145</u>	<u>28,845</u>	<u>54,990</u>
Total deferred inflows of resources	<u>\$ 97,831</u>	<u>\$ 159,570</u>	<u>\$ 257,401</u>

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$20,072 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ (35,228)	\$ (20,170)	\$ (55,398)
2020	(35,228)	(20,170)	(55,398)
2021	(26,889)	(20,170)	(47,059)
2022	(486)	(20,170)	(20,656)
2023	-	(8,843)	(8,843)
Thereafter	-	(8,843)	(8,843)
Total	<u>\$ (97,831)</u>	<u>\$ (98,366)</u>	<u>\$ (196,197)</u>

***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.

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 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.

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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

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

**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 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%)
District's proportionate share of the net OPEB liability	\$ 887,574	\$ 734,974	\$ 614,075

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (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 %)
District's proportionate share of the net OPEB liability	\$ 596,376	\$ 734,974	\$ 918,410

***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.

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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

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

**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.

**MONROEVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Sensitivity of the 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%)
District's proportionate share of the net OPEB liability	\$ 1,423,375	\$ 1,060,255	\$ 773,271
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 736,620	\$ 1,060,255	\$ 1,486,197

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 846,623
Net adjustment for revenue accruals	63,750
Net adjustment for expenditure accruals	(100,273)
Net adjustment for other sources/uses	108,516
Funds budgeted elsewhere	6,790
Adjustment for encumbrances	26,467
GAAP basis	\$ 951,873

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 public school support fund and unclaimed funds.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

**C. Foundation Funding**

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 schools throughout the State, which can extend past the fiscal year end. Additional full-time equivalent adjustments for fiscal year 2018 have resulted in the District being owed an immaterial amount from the Ohio Department of Education at June 30, 2018.



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**NOTE 19 - SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	113,188
Current year offsets	(83,287)
Prior year offset from bond proceeds	<u>(29,901)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

In addition to the above statutory set-asides, the District also has \$3,696 in monies restricted for school bus purchases.

During fiscal year 2013 the District issued \$4,195,000 in capital related general obligation bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$4,103,311 at June 30, 2018.

**NOTE 20 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. 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 District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 14,482
Nonmajor governmental funds	<u>6,599</u>
Total	<u>\$ 21,081</u>

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.02705660%	0.02814710%	0.02991180%	0.02762400%	0.02762400%
District's proportionate share of the net pension liability	\$ 1,616,572	\$ 2,060,108	\$ 1,706,796	\$ 1,398,035	\$ 1,642,711
District's covered payroll	\$ 822,400	\$ 849,036	\$ 900,501	\$ 802,691	\$ 850,361
District's proportionate share of the net pension liability as a percentage of its covered payroll	196.57%	242.64%	189.54%	174.17%	193.18%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.02717466%	0.02780390%	0.02816661%	0.02850730%	0.02850730%
District's proportionate share of the net pension liability	\$ 6,455,399	\$ 9,306,803	\$ 7,784,427	\$ 6,933,962	\$ 8,259,690
District's covered payroll	\$ 2,990,779	\$ 2,962,793	\$ 2,938,714	\$ 2,912,654	\$ 3,052,269
District's proportionate share of the net pension liability as a percentage of its covered payroll	215.84%	314.12%	264.89%	238.06%	270.61%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 129,030	\$ 115,136	\$ 118,865	\$ 118,686
Contributions in relation to the contractually required contribution	<u>(129,030)</u>	<u>(115,136)</u>	<u>(118,865)</u>	<u>(118,686)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 955,778	\$ 822,400	\$ 849,036	\$ 900,501
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 111,253	\$ 117,690	\$ 108,184	\$ 112,362	\$ 108,781	\$ 80,783
<u>(111,253)</u>	<u>(117,690)</u>	<u>(108,184)</u>	<u>(112,362)</u>	<u>(108,781)</u>	<u>(80,783)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 802,691	\$ 850,361	\$ 804,342	\$ 893,890	\$ 803,405	\$ 820,965
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 441,372	\$ 418,709	\$ 414,791	\$ 411,420
Contributions in relation to the contractually required contribution	<u>(441,372)</u>	<u>(418,709)</u>	<u>(414,791)</u>	<u>(411,420)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,152,657	\$ 2,990,779	\$ 2,962,793	\$ 2,938,714
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 378,645	\$ 396,795	\$ 398,686	\$ 402,416	\$ 408,871	\$ 400,099
<u>(378,645)</u>	<u>(396,795)</u>	<u>(398,686)</u>	<u>(402,416)</u>	<u>(408,871)</u>	<u>(400,099)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,912,654	\$ 3,052,269	\$ 3,066,815	\$ 3,095,508	\$ 3,145,162	\$ 3,077,685
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.02738620%	0.02852342%
District's proportionate share of the net OPEB liability	\$ 734,974	\$ 813,023
District's covered payroll	\$ 822,400	\$ 849,036
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.37%	95.76%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.02717466%	0.02780390%
District's proportionate share of the net OPEB liability	\$ 1,060,255	\$ 1,486,960
District's covered payroll	\$ 2,990,779	\$ 2,962,793
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.45%	50.19%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.33%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 20,072	\$ 14,602	\$ 14,431	\$ 19,279
Contributions in relation to the contractually required contribution	<u>(20,072)</u>	<u>(14,602)</u>	<u>(14,431)</u>	<u>(19,279)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 955,778	\$ 822,400	\$ 849,036	\$ 900,501
Contributions as a percentage of covered payroll	2.10%	1.78%	1.70%	2.14%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 14,469	\$ 12,150	\$ 15,549	\$ 14,925	\$ 15,050	\$ 50,222
<u>(14,469)</u>	<u>(12,150)</u>	<u>(15,549)</u>	<u>(14,925)</u>	<u>(15,050)</u>	<u>(50,222)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 802,691	\$ 850,361	\$ 804,342	\$ 893,890	\$ 803,405	\$ 820,965
1.80%	1.43%	1.93%	1.67%	1.87%	6.12%

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,152,657	\$ 2,990,779	\$ 2,962,793	\$ 2,938,714
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 30,952	\$ 30,523	\$ 30,668	\$ 30,955	\$ 31,452	\$ 30,777
<u>(30,952)</u>	<u>(30,523)</u>	<u>(30,668)</u>	<u>(30,955)</u>	<u>(31,452)</u>	<u>(30,777)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,912,654	\$ 3,052,269	\$ 3,066,815	\$ 3,095,508	\$ 3,145,162	\$ 3,077,685
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

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

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

(Continued)



**MONROEVILLE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

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

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

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

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

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# OHIO AUDITOR OF STATE KEITH FABER



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

Monroeville Local School District  
Huron County  
101 West Street  
Monroeville, Ohio 44847

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 Monroeville Local School District, Huron County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2019, wherein we noted the District adopted new accounting guidance in 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 District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and

accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

March 1, 2019



# MONROEVILLE LOCAL SCHOOLS

101 West Street  
Monroeville, OH 44847

Phone: 419-465-2610  
Fax: 419-465-4263  
www.monroevilleschools.org

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	Material weakness for errors in financial reporting.	Fully corrected	N/A

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# OHIO AUDITOR OF STATE KEITH FABER



**MONROEVILLE LOCAL SCHOOL DISTRICT**

**HURON 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 19, 2019**