South Euclid-Lyndhurst City School District

Basic Financial Statements
June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Education
South Euclid-Lyndhurst City School District
25201 Chagrin Boulevard
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We have reviewed the *Independent Auditor's Report* of the South Euclid-Lyndhurst City School District, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The South Euclid-Lyndhurst City School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

March 25, 2020

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South Euclid-Lyndhurst City School District

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Independent Auditor's Report

To the Board of Education
South Euclid-Lyndhurst City School District
Lyndhurst, Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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To the Board of Education
South Euclid-Lyndhurst City School District

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matter

Change in Accounting Policy

As described in Note 23 to the basic financial statements, in 2019, the District changed accounting policies on how to report the workers' compensation activity and as a result restated their June 30, 2018 fund balance and proprietary net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required schedules on pensions and other postemployment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Ciuni & Panichi, Inc.

Cleveland, Ohio
February 25, 2020

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- Total net position increased during fiscal year 2019 primarily due to the increase in the net OPEB asset and decreases in the School District's net pension and net OPEB liabilities. The net pension and net OPEB liabilities' decreases represent the School District's proportionate share of the pension/OPEB plans' unfunded benefits. Changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net liabilities.

- Fiscal year 2019 expenses increased significantly from the prior fiscal year due to the changes in assumptions and benefit terms related to the pensions in the prior fiscal year. For the prior fiscal year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA).

- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole. 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 School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and non-instructional services.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and permanent improvement capital projects fund.

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

Proprietary Funds The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for workers' compensation.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2019 compared to fiscal year 2018.

(Table 1)
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current and Other Assets	$80,455,272	$72,419,342	$8,035,930
Capital Assets, Net	18,760,474	18,731,661	28,813
Net OPEB Asset	3,452,746	0	3,452,746
Total Assets	102,668,492	91,151,003	11,517,489
Deferred Outflows of Resources			
Deferred Charge on Refunding	0	16,610	(16,610)
Pension	15,863,179	20,113,288	(4,250,109)
OPEB	738,013	694,816	43,197
Total Deferred Outflows of Resources	16,601,192	20,824,714	(4,223,522)
Liabilities			
Current Liabilities	16,941,114	6,954,462	(9,986,652)
Long Term Liabilities:			
Due Within One Year	1,050,696	1,827,707	777,011
Due in More than One Year			
Net Pension Liability	65,227,252	70,968,034	5,740,782
Net OPEB Liability	8,704,469	16,934,073	8,229,604
Other Amounts	4,682,265	4,912,994	230,729
Total Liabilities	96,605,796	101,597,270	4,991,474
Deferred Inflows of Resources			
Property Taxes	32,881,168	36,287,118	3,405,950
Pension	7,526,460	6,636,734	(889,726)
OPEB	7,059,397	2,870,363	(4,189,034)
Total Deferred Inflows of Resources	47,467,025	45,794,215	(1,672,810)
Net Position			
Net Investment in Capital Assets	17,314,955	17,264,461	50,494
Restricted:			
Capital Projects	5,140,743	3,352,008	1,788,735
Debt Service	60,160	868,228	(808,068)
Other Purposes	1,022,335	716,580	305,755
Unrestricted (Deficit)	(48,341,330)	(57,617,045)	9,275,715
Total Net Position	($24,803,137)	($35,415,768)	$10,612,631

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019. 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.

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 previously, 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.

Total current and other assets increased mainly due to the unspent tax anticipation note proceeds that were issued during fiscal year 2019. The increase in intergovernmental receivables was mainly attributable to a reimbursement from the Ohio Bureau of Workers' Compensation. Net capital assets increased as a result of current year additions outpacing capital asset depreciation and deletions. Current liabilities increased largely as a result of the issuance of the tax anticipation note, as mentioned. Long-term general obligation bond debt decreased due to annual debt payments.

Table 2 shows the change in net position for fiscal years 2019 and 2018.

(Table 2)
Changes in Net Position
Governmental Activities

	2019	2018	Change
Program Revenues			
Charges for Services and Sales	$2,708,403	$2,360,881	$347,522
Operating Grants, Contributions and Interest	5,036,935	4,777,329	259,606
Capital Grants	236,495	240,533	(4,038)
Total Program Revenues	7,981,833	7,378,743	603,090
General Revenues			
Property Taxes	46,011,555	43,944,577	2,066,978
Grants and Entitlements	14,011,717	14,288,987	(277,270)
Unrestricted Contributions	10,487	2,084	8,403
Investment Earnings	802,600	306,142	496,458
Payment in Lieu of Taxes	67,611	0	67,611
Gain from Sale of Capital Assets	22,464	5,000	17,464
Miscellaneous	513,530	416,045	97,485
Total General Revenues	61,439,964	58,962,835	2,477,129
Total Revenues	$69,421,797	$66,341,578	$3,080,219

(continued)

(Table 2)
Changes in Net Position (continued)
Governmental Activities

	2019	2018	Change
Program Expenses			
Instruction	$32,054,970	$16,266,666	($15,788,304)
Support Services:			
Pupil	4,459,118	2,212,893	(2,246,225)
Instructional Staff	1,141,080	968,960	(172,120)
Board of Education	247,992	277,430	29,438
Administration	3,681,069	1,234,224	(2,446,845)
Fiscal	1,683,234	1,672,795	(10,439)
Business	547,423	460,066	(87,357)
Operation and Maintenance of Plant	6,401,026	5,646,160	(754,866)
Pupil Transportation	3,009,832	3,029,591	19,759
Central	1,774,453	1,347,228	(427,225)
Operation of Non-Instructional Services:			
Food Service Operations	1,923,855	1,860,800	(63,055)
Other Non-Instructional Services	469,644	487,014	17,370
Extracurricular Activities	1,339,657	1,040,531	(299,126)
Interest and Fiscal Charges	75,813	41,771	(34,042)
Total Program Expenses	58,809,166	36,546,129	(22,263,037)
Change in Net Position	10,612,631	29,795,449	(19,182,818)
Net Position Beginning of Year	(35,415,768)	(65,211,217)	29,795,449
Net Position End of Year	($24,803,137)	($35,415,768)	$10,612,631

Governmental Activities

Program revenues increased for governmental activities in fiscal year 2019. Charges for services and sales increased due to an increase in tuition received through foundation adjustments. Operating grants increased due to increases in current year restricted grants available from the Ohio Department of Education. General revenues increased in fiscal year 2019 primarily resulting from a significant increase in property taxes due to the timing of advance settlements.

Most governmental activities expenses increased from fiscal year 2018 to fiscal year 2019, primarily due to the changes in assumptions and benefit terms related to the pensions in the prior fiscal year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense decreased from $7,919,389 in fiscal year 2017 to a negative pension expense of ($22,207,253) for fiscal year 2018. For fiscal year 2019, pension expense increased to $4,352,003, which is closer to the 2017 pension expense amount.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voter levy does not increase solely as a result of inflation. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920 (HB 920). As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would be assessed $35.00 annually in taxes. If three years later the home was appraised and increased to $200,000 (and the inflationary increase in value is comparable to the other property owners), the effective tax rate would become .5 mills and the owner would still be assessed $35.00 and the School District would collect the same dollar value the levy generated in the year it was passed.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up the largest percentage of revenue for governmental activities for the School District in fiscal year 2019.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services for governmental activities. Table 3 shows 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 entitlements.

(Table 3)
Governmental Activities

Programs	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Instruction	$32,054,970	($27,827,542)	$16,266,666	($12,444,744)
Support Services:				
Pupil and Instructional Staff	5,600,198	(5,053,573)	3,181,853	(2,654,608)
Board of Education, Administration, Fiscal and Business	6,159,718	(5,931,610)	3,644,515	(3,471,284)
Operation and Maintenance of Plant	6,401,026	(5,936,871)	5,646,160	(5,425,403)
Pupil Transportation	3,009,832	(2,753,440)	3,029,591	(2,646,702)
Central	1,774,453	(1,705,231)	1,347,228	(1,287,217)
Non-Instructional Services	2,393,499	(414,083)	2,347,814	(373,918)
Extracurricular Activities	1,339,657	(1,129,170)	1,040,531	(821,739)
Interest and Fiscal Charges	75,813	(75,813)	41,771	(41,771)
Total Expenses	$58,809,166	($50,827,333)	$36,546,129	($29,167,386)

The School District's Funds

Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, not including other financing sources, of $69,131,718 and expenditures, not including other financing uses, of $67,865,030. The total fund balance for the general fund increased in fiscal year 2019 due to higher property tax revenue. The permanent improvement fund increased as revenues exceeded expenditures and property tax revenue increased over the prior fiscal year. The community as a whole is by far the primary support for the School District's students.

General Fund Budgeting Highlights

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

During the course of fiscal year 2019, the School District modified its general fund budget. The School District uses site-based budgeting and budgeting systems which are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was higher than the original budget estimate mainly due to an increase in estimated property taxes, tuition and fees and intergovernmental revenues as the School District received notifications of current year grant awards and changes in State aid were finalized.

For the general fund, final budget basis expenditures were higher than the original budget basis expenditures mainly due to increases in various instructional and support services expenditures.

Total actual revenues on the budget basis were greater than the final budgeted amounts due mainly to higher than anticipated property tax and interest revenues.

Total actual expenditures on the budget basis were less than final budgeted amounts. This is largely attributable to the School District's cost-cutting measures.

Capital Assets

During fiscal year 2019, the School District's capital asset additions included construction in progress, various building improvements, new equipment, and new vehicles. Construction in progress is related to architect/planning costs for a new bus garage. Please see Note 10 for additional information.

Debt

Debt obligations outstanding as of June 30, 2019, included tax anticipation notes, energy conservation notes and a capital lease payable. The 2006 general obligation bonds were issued to refund the 1993 and 1996 school improvement bonds for the purpose of renovating and making additions to school buildings. These were fully retired during fiscal year 2019. The tax anticipation notes were issued for school building improvements. The 2018 energy conservation bond anticipation notes were issued to pay the costs of installations, modifications and the remodeling of school buildings to conserve energy. The capital lease was for copiers. Principal retirement for short-term and long-term debt during fiscal year 2019 totaled $1,264,248. The School District's overall debt margin was $72,144,313 with an unvoted debt margin of $800,164 at June 30, 2019. For more information about the School District's debt obligations, see Notes 15, 16 and 17.

Current Financial Related Activities

The financial future and well-being of any School District is not without internal and external challenges. For the most part, both internal and external challenges are quite similar in most School Districts. In this School District, a primary internal challenge is student achievement and a primary external challenge is the over-reliance on local property taxes required to fund general operations.

Unfortunately, the School District, like many in Ohio, must rely heavily on its property tax payers for both residents and businesses to support its general operations. Approximately seventy-one percent of general fund revenue is received from property taxes paid by residents and business owners. Thankfully, the South Euclid-Lyndhurst community has been extremely supportive of the School District and has approved continuing operating levies in 1978, 1982, 1986, 1991, 1994, 1998, 2001, 2005, 2008, and again in 2012.

The School District will be pursuing a 6.9 mill additional levy on the March 17, 2020 ballot that allocates 5.9 mills for general operations and 1 mill for general permanent improvements throughout the District. The School District has stretched the current levy by 7 years, which is more than twice as long as the average length of a levy in the District, by responsibly cutting costs and taking advantage of cost avoidance opportunities.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Joshua J. Hill, Treasurer of South Euclid-Lyndhurst City School District, 5044 Mayfield Road, Lyndhurst, Ohio 44124 or hillj@sel.k12.oh.us.

Basic Financial Statements

South Euclid-Lyndhurst City School District
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$31,321,628
Accounts Receivable	5,065
Accrued Interest Receivable	22,666
Intergovernmental Receivable	1,890,892
Prepaid Items	100,406
Materials and Supplies Inventory	22,632
Inventory Held for Resale	29,824
Property Taxes Receivable	47,062,159
Non-depreciable Capital Assets	940,956
Depreciable Capital Assets, Net	17,819,518
Net OPEB Asset (See Note 12)	3,452,746
Total Assets	102,668,492
Deferred Outflows of Resources	
Pension	15,863,179
OPEB	738,013
Total Deferred Outflows of Resources	16,601,192
Liabilities	
Accounts Payable	522,957
Contracts Payable	17,150
Accrued Wages and Benefits	5,131,030
Intergovernmental Payable	1,085,844
Matured Compensated Absences Payable	224,768
Accrued Interest Payable	69,365
Notes Payable	9,890,000
Long-Term Liabilities:	
Due Within One Year	1,050,696
Due In More Than One Year:	
Net Pension Liability (See Note 11)	65,227,252
Net OPEB Liability (See Note 12)	8,704,469
Other Amounts	4,682,265
Total Liabilities	96,605,796
Deferred Inflows of Resources	
Property Taxes	32,881,168
Pension	7,526,460
OPEB	7,059,397
Total Deferred Inflows of Resources	47,467,025
Net Position	
Net Investment in Capital Assets	17,314,955
Restricted for:	
Capital Outlay	5,140,743
Debt Service	60,160
Scholarships	33,079
Athletics	204,528
Auxiliary Services	26,366
Title I	85,200
Unclaimed Monies	21,098
Other Purposes	652,064
Unrestricted (Deficit)	(48,341,330)
Total Net Position	($24,803,137)

The accompanying notes are an integral part of the basic financial statements

South Euclid-Lyndhurst City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$20,475,291	$821,273	$435,621	$0	($19,218,397)
Special	9,995,850	345,531	2,482,461	0	(7,167,858)
Vocational	1,583,829	55,430	87,112	0	(1,441,287)
Support Services:					
Pupil	4,459,118	172,097	98,128	0	(4,188,893)
Instructional Staff	1,141,080	34,452	241,948	0	(864,680)
Board of Education	247,992	8,315	0	0	(239,677)
Administration	3,681,069	144,847	0	0	(3,536,222)
Fiscal	1,683,234	56,651	0	0	(1,626,583)
Business	547,423	18,295	0	0	(529,128)
Operation and Maintenance of Plant	6,401,026	227,660	0	236,495	(5,936,871)
Pupil Transportation	3,009,832	94,609	161,783	0	(2,753,440)
Central	1,774,453	58,422	10,800	0	(1,705,231)
Operation of Non-Instructional Services:					
Food Service Operations	1,923,855	470,016	1,093,960	0	(359,879)
Other Non-Instructional Services	469,644	9,779	405,661	0	(54,204)
Extracurricular Activities	1,339,657	191,026	19,461	0	(1,129,170)
Interest and Fiscal Charges	75,813	0	0	0	(75,813)
Totals	$58,809,166	$2,708,403	$5,036,935	$236,495	(50,827,333)

General Revenues	
Property Taxes Levied for:	
General Purposes	44,122,934
Debt Service	142,128
Capital Projects	1,746,493
Grants and Entitlements not Restricted to Specific Programs	14,011,717
Unrestricted Contributions	10,487
Investment Earnings	802,600
Payment in Lieu of Taxes	67,611
Gain from Sale of Capital Assets	22,464
Miscellaneous	513,530
Total General Revenues	61,439,964
Change in Net Position	10,612,631
Net Position Beginning of Year	(35,415,768)
Net Position End of Year	($24,803,137)

The accompanying notes are an integral part of the basic financial statements

South Euclid-Lyndhurst City School District

Balance Sheet

Governmental Funds

June 30, 2019

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$16,912,932	$12,991,793	$1,256,588	$31,161,313
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	21,098	0	0	21,098
Accounts Receivable	5,065	0	0	5,065
Accrued Interest Receivable	22,666	0	0	22,666
Intergovernmental Receivable	774,545	0	862,519	1,637,064
Materials and Supplies Inventory	20,334	0	2,298	22,632
Inventory Held for Resale	0	0	29,824	29,824
Interfund Receivable	525,000	0	0	525,000
Property Taxes Receivable	45,273,315	1,788,844	0	47,062,159
Total Assets	$63,554,955	$14,780,637	$2,151,229	$80,486,821
Liabilities				
Accounts Payable	$420,129	$0	$102,828	$522,957
Contracts Payable	0	17,150	0	17,150
Accrued Wages and Benefits	4,918,426	0	212,604	5,131,030
Intergovernmental Payable	1,032,744	0	53,100	1,085,844
Matured Compensated Absences Payable	224,768	0	0	224,768
Interfund Payable	0	0	525,000	525,000
Accrued Interest Payable	0	63,579	5,786	69,365
Notes Payable	0	9,650,000	240,000	9,890,000
Total Liabilities	6,596,067	9,730,729	1,139,318	17,466,114
Deferred Inflows of Resources				
Property Taxes	31,638,274	1,242,894	0	32,881,168
Unavailable Revenue	4,247,855	138,097	854,114	5,240,066
Total Deferred Inflows of Resources	35,886,129	1,380,991	854,114	38,121,234
Fund Balances				
Nonspendable	41,432	0	2,298	43,730
Restricted	0	3,668,917	538,423	4,207,340
Committed	366,232	0	0	366,232
Assigned	9,536,346	0	0	9,536,346
Unassigned (Deficit)	11,128,749	0	(382,924)	10,745,825
Total Fund Balances	21,072,759	3,668,917	157,797	24,899,473
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$63,554,955	$14,780,637	$2,151,229	$80,486,821

The accompanying notes are an integral part of the basic financial statements

South Euclid-Lyndhurst City School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

Total Governmental Fund Balances		$24,899,473
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,760,474
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	3,625,529	
Intergovernmental	947,615	
Tuition and Fees	666,922	
Total		5,240,066
The net pension liability and net OPEB asset/liability are not due and payable in the current period; therefore, the asset/liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Net OPEB Asset	3,452,746	
Deferred Outflows - Pension	15,863,179	
Deferred Outflows - OPEB	738,013	
Net Pension Liability	(65,227,252)	
Net OPEB Liability	(8,704,469)	
Deferred Inflows - Pension	(7,526,460)	
Deferred Inflows - OPEB	(7,059,397)	
Total		(68,463,640)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Lease Payable	(24,156)	
Compensated Absences	(5,108,805)	
Special Termination Benefits	(600,000)	
Total		(5,732,961)
An internal service fund is used by management to charge the cost of workers' compensation to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		493,451
Net Position of Governmental Activities		($24,803,137)

The accompanying notes are an integral part of the basic financial statements

South Euclid-Lyndhurst City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$44,767,680	$1,772,833	$225,516	$46,766,029
Intergovernmental	15,340,620	236,495	3,429,034	19,006,149
Interest	771,408	31,192	3,377	805,977
Tuition and Fees	1,483,415	0	360	1,483,775
Extracurricular Activities	59,061	0	110,137	169,198
Contributions and Donations	10,487	0	67,203	77,690
Charges for Services	15,422	0	470,016	485,438
Rentals	16,165	0	0	16,165
Payments in Lieu of Taxes	67,611	0	0	67,611
Miscellaneous	214,257	0	39,429	253,686
Total Revenues	62,746,126	2,040,520	4,345,072	69,131,718
Expenditures				
Current:				
Instruction:				
Regular	24,055,383	0	395,436	24,450,819
Special	10,327,226	0	1,087,188	11,414,414
Vocational	1,651,025	0	93	1,651,118
Support Services:				
Pupil	5,102,082	0	78,942	5,181,024
Instructional Staff	1,040,480	0	177,239	1,217,719
Board of Education	247,975	0	0	247,975
Administration	4,199,862	0	0	4,199,862
Fiscal	1,725,840	0	0	1,725,840
Business	570,016	0	0	570,016
Operation and Maintenance of Plant	6,283,318	0	0	6,283,318
Pupil Transportation	2,887,598	0	0	2,887,598
Central	1,713,843	0	10,800	1,724,643
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,912,716	1,912,716
Other Non-Instructional Services	11,563	0	421,112	432,675
Extracurricular Activities	955,024	0	336,265	1,291,289
Capital Outlay	0	1,390,275	0	1,390,275
Debt Service:				
Principal Retirement	19,248	0	1,170,000	1,189,248
Interest and Fiscal Charges	1,917	63,579	28,985	94,481
Total Expenditures	60,792,400	1,453,854	5,618,776	67,865,030
Excess of Revenues Over (Under) Expenditures	1,953,726	586,666	(1,273,704)	1,266,688
Other Financing Sources (Uses)				
Sale of Capital Assets	22,464	0	0	22,464
Transfers In	0	125,000	682,915	807,915
Transfers Out	(807,915)	0	0	(807,915)
Total Other Financing Sources (Uses)	(785,451)	125,000	682,915	22,464
Net Change in Fund Balances	1,168,275	711,666	(590,789)	1,289,152
Fund Balances Beginning of Year - Restated (See Note 23)	19,904,484	2,957,251	748,586	23,610,321
Fund Balances End of Year	$21,072,759	$3,668,917	$157,797	$24,899,473

The accompanying notes are an integral part of the basic financial statements

South Euclid-Lyndhurst City School District

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

For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds		$1,289,152
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	1,391,493	
Current Year Depreciation	(1,362,680)	
Total		28,813
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(754,474)	
Intergovernmental	208,418	
Tuition and Fees	553,827	
Total		7,771
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,189,248
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued Interest on Bonds	7,316	
Amortization of Bond Premium	27,962	
Amortization of Deferred Charge on Refunding	(16,610)	
Total		18,668
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	4,952,950	
OPEB	192,640	
Total		5,145,590
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB contra-expense in the statement of activities:		
Pension	(4,352,003)	
OPEB	7,343,873	
Total		2,991,870
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences	(9,470)	
Special Termination Benefits	(200,000)	
Total		(209,470)
The internal service fund used by management to charge the cost of workers' compensation to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		150,989
Change in Net Position of Governmental Activities		$10,612,631

The accompanying notes are an integral part of the basic financial statements

South Euclid-Lyndhurst City School District

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

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property Taxes	$40,581,000	$40,960,000	$41,504,073	$544,073
Intergovernmental	15,190,000	15,441,000	15,512,145	71,145
Interest	442,000	450,000	555,472	105,472
Tuition and Fees	1,695,508	1,988,337	1,991,507	3,170
Extracurricular Activities	52,171	48,991	49,326	335
Contributions and Donations	10,000	10,000	10,080	80
Charges for Services	14,690	14,690	15,422	732
Rentals	12,000	12,000	12,225	225
Payment in Lieu of Taxes	67,500	67,500	67,611	111
Miscellaneous	84,798	195,675	202,020	6,345
Total Revenues	58,149,667	59,188,193	59,919,881	731,688
Expenditures				
Current:				
Instruction:				
Regular	24,003,523	24,514,540	23,927,891	586,649
Special	10,830,010	11,115,564	10,400,500	715,064
Vocational	2,143,214	2,218,330	1,654,807	563,523
Support Services:				
Pupil	5,109,927	5,116,693	5,069,831	46,862
Instructional Staff	1,281,907	1,281,907	1,060,690	221,217
Board of Education	1,014,953	1,029,953	281,131	748,822
Administration	4,131,865	4,191,114	4,191,114	0
Fiscal	1,785,996	1,785,996	1,702,417	83,579
Business	552,448	632,448	594,950	37,498
Operation and Maintenance of Plant	6,966,375	7,051,484	6,441,730	609,754
Pupil Transportation	3,107,991	3,107,991	2,991,509	116,482
Central	2,059,102	2,059,102	2,018,786	40,316
Operation of Non-Instructional Services	151,010	182,956	33,996	148,960
Extracurricular Activities	1,122,500	1,122,500	955,067	167,433
Debt Service:				
Principal Retirement	19,248	19,248	19,248	0
Interest and Fiscal Charges	1,917	1,917	1,917	0
Total Expenditures	64,281,986	65,431,743	61,345,584	4,086,159
Excess of Revenues Under Expenditures	(6,132,319)	(6,243,550)	(1,425,703)	4,817,847
Other Financing Sources (Uses)				
Sale of Capital Assets	10,000	10,000	22,464	12,464
Advances In	286,000	286,000	286,000	0
Advances Out	(300,000)	(300,000)	(525,000)	(225,000)
Transfers Out	(1,081,500)	(981,500)	(1,057,915)	(76,415)
Total Other Financing Sources (Uses)	(1,085,500)	(985,500)	(1,274,451)	(288,951)
Net Change in Fund Balance	(7,217,819)	(7,229,050)	(2,700,154)	4,528,896
Fund Balance Beginning of Year	16,904,583	16,904,583	16,904,583	0
Prior Year Encumbrances Appropriated	880,331	880,331	880,331	0
Fund Balance End of Year	$10,567,095	$10,555,864	$15,084,760	$4,528,896

The accompanying notes are an integral part of the basic financial statements

South Euclid Lyndhurst City School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2019

	Internal Service
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$139,217
Intergovernmental Receivable	253,828
Prepaid Items	100,406
Total Assets	493,451
Net Position	
Unrestricted	$493,451

See accompanying notes to the basic financial statements

South Euclid Lyndhurst City School District

Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2019

	Internal Service
Operating Revenues	
Charges for Services	$102,283
Miscellaneous	259,844
Total Operating Revenues	362,127
Operating Expenses	
Fringe Benefits	211,138
Change in Net Position	150,989
Net Position Beginning of Year - Restated (See Note 23)	342,462
Net Position End of Year	$493,451

See accompanying notes to the basic financial statements

South Euclid Lyndhurst City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2019

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	$102,283
Other Cash Receipts	175,722
Cash Payments to Employees for Services and Benefits	(206,428)
Net Increase in Cash and Cash Equivalents	71,577
Cash and Cash Equivalents Beginning of Year	67,640
Cash and Cash Equivalents End of Year	$139,217
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$150,989
(Increase) Decrease in Assets:	
Intergovernmental Receivable	(84,122)
Prepaid Items	4,710
Total Adjustments	(79,412)
Net Cash Provided by Operating Activities	$71,577

See accompanying notes to the basic financial statements

South Euclid-Lyndhurst City School District

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

Assets	
Equity in Pooled Cash and Cash Equivalents	$86,051
Liabilities	
Undistributed Monies	$1,466
Due to Students	84,585
Total Liabilities	$86,051

The accompanying notes are an integral part of the basic financial statements

Note 1 – Description of the School District and Reporting Entity

The South Euclid-Lyndhurst City School District (School District) is a body public and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is governed by a locally-elected five-member Board of Education (Board) and provides educational services as mandated by state and/or federal agencies. This Board controls the School District's six instructional/support facilities which are staffed by 242 classified and 292 certificated personnel who provide services to 3,316 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in three jointly governed organizations and two public entity pools. These organizations are Lake Geauga Computer Association, Connect, Ohio Schools Council, Ohio School Boards Association Workers' Compensation Group Rating Program and Suburban Health Consortium. These organizations are presented in Notes 18 and 19 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

Fund Accounting

The School 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. The funds of the School District are divided into two categories, governmental and fiduciary.

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

> ***General Fund*** The general fund is the operating fund of the School District and is used to account for and report all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Permanent Improvement Fund*** To account for and report all restricted transactions related to the acquiring, construction, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

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

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

> ***Internal Service Fund*** This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for workers' compensation.

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities.

Measurement Focus

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

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

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 School District, unavailable revenue includes delinquent property taxes, intergovernmental grants and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education.

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During fiscal year 2019, investments were limited to STAR Ohio, money market mutual funds and negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, except STAR Ohio, which is based on quoted market prices, or in case of mutual funds, current share price.

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 School District measures its 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 an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, 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.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to $771,408 which includes $336,851 assigned from other School District funds.

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

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 externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions. Restricted assets in the general fund include money set aside for unclaimed monies.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the fiscal year which services are consumed.

Inventory

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

Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of $1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Buildings and Improvements	15-40 years
Furniture and Equipment	5-10 years
Vehicles	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of the statement of net position.

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by State statute. State statute authorizes the Treasurer to assign fund balance purchases on order provided such amounts have been lawfully appropriated. The Board of Education assigned fund balance for administration, after school daycare program, athletics and to cover a gap between estimated revenue and appropriations in fiscal year 2020’s operations.

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

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

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after 10 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws, or regulations of other governments adopted by the School District. Net position restricted for other purposes include resources restricted for education management information systems, entry-year programs, school-net professional development and miscellaneous state and federal grant programs.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are eliminated.

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

Estimates

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

Note 3 – Fund Deficits

At June 30, 2019, the following funds have deficit balances:

Other Governmental Funds:	
Special Revenue Funds:	
Food Service	($36,274)
Title VI-B	(135,557)
Title I	(68,961)
Preschool Handicap	(2,782)
Title II-A	(538)
Miscellaneous Federal Grants	(7,515)
Capital Projects Fund:	
Building	(128,999)

The deficits in the non-major special revenue funds are caused by the recognition of expenditures on the modified accrual basis of accounting. The deficit in the non-major capital projects fund is caused by the recognition of the short-term energy conservation note issued. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

Note 4 – Fund Balances

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

Fund Balances	General	Permanent Improvement	Other Governmental Funds	Total
Nonspendable:				
Unclaimed Monies	$21,098	$0	$0	$21,098
Materials and Supplies Inventory	20,334	0	2,298	22,632
Total Nonspendable	41,432	0	2,298	43,730
Restricted for:				
Scholarships	0	0	33,079	33,079
Leadership/Intern Programs	0	0	134,834	134,834
Athletics	0	0	204,528	204,528
Auxiliary Services	0	0	26,366	26,366
Teacher Development	0	0	3,717	3,717
Capital Projects	0	3,668,917	0	3,668,917
Debt Service	0	0	129,525	129,525
Other Purposes	0	0	6,374	6,374
Total Restricted	0	3,668,917	538,423	4,207,340
Committed to:				
Educational Service Center Services	128,817	0	0	128,817
Legal and Audit/Consulting Services	43,757	0	0	43,757
Student Services	12,959	0	0	12,959
Busing Services	78,372	0	0	78,372
Termination Benefits	102,327	0	0	102,327
Total Committed	366,232	0	0	366,232
Assigned to:				
Administration	34,233	0	0	34,233
After School Daycare Program	332	0	0	332
Athletics	367,674	0	0	367,674
Purchases on Order	454,351	0	0	454,351
Fiscal Year 2020 Operations	8,679,756	0	0	8,679,756
Total Assigned	9,536,346	0	0	9,536,346
Unassigned (Deficit)	11,128,749	0	(382,924)	10,745,825
Total Fund Balances	$21,072,759	$3,668,917	$157,797	$24,899,473

Note 5 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
3. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but is reported on the operating statements prepared using GAAP.
4. Investments are reported at cost (budget basis) rather than at fair value (GAAP basis).
5. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
6. Budgetary revenues and expenditures of the public school support, latchkey, stadium funds and termination benefits are classified to general fund for GAAP Reporting.
7. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

Net Change in Fund Balance

	General
GAAP Basis	$1,168,275
Net Adjustment for Revenue Accruals	(2,334,396)
Advances In	286,000
Ending Unrecorded Cash	(62,047)
Beginning Fair Value Adjustment for Investments	(148,688)
Ending Fair Value Adjustment for Investments	(5,757)
Net Adjustment for Expenditure Accruals	66,082
Perspective Difference:	
Public School Support	6,617
Latchkey	(8)
Stadium Funds	(50,000)
Termination Benefits	1,797
Advances Out	(525,000)
Encumbrances	(1,103,029)
Budget Basis	($2,700,154)

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 held by the School District can be deposited or invested in the following securities:

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

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

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

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

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

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

7. The State Treasurer's investment pool (STAR Ohio).

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, $546,827 of the School District's total bank balance of $14,429,836 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50.00 percent resulting in the uninsured and uncollateralized balance.

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

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value. As of June 30, 2019, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percentage of Total Investments
Net Asset Value (NAV) per Share:				
STAR Ohio	$7,218,790	Average 53.3 Days	AAAm	N/A
Fair Value - Level One Inputs:				
Money Market Mutual Fund	335,157	Less Than One Year	AAA	N/A
Fair Value - Level Two Inputs:				
Negotiable Certificates of Deposit	3,749,557	Less Than One Year	N/A	21.66%
Negotiable Certificates of Deposit	6,006,200	More Than One Year	N/A	34.70%
Total	$17,309,704			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2019. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs)

Credit Risk The negotiable certificates of deposit are unrated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Interest Rate Risk The School District has no policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer.

Note 7 – Property Taxes

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

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

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

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

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2019, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2019, was $10,147,609 in the general fund and $407,853 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2018, was $6,884,002 in the general fund, $140,267 in the bond retirement debt service fund and $278,393 in the permanent improvement capital projects fund.

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

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residental and Other Real Estate	$732,775,390	97.76 %	$782,678,900	97.81 %
Public Utility Personal	16,768,650	2.24	17,485,410	2.19
Total	$749,544,040	100.00 %	$800,164,310	100.00 %
Tax rate per $1,000 of assessed valuation	$107.70		$106.39	

Note 8 – Receivables

Receivables at June 30, 2019, consisted of taxes, accounts (tuition, rentals and miscellaneous) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the intergovernmental receivables follows:

Governmental Activities	Amount
Prior Year State Foundation Adjustments	$679,007
Title VI-B Grant	530,640
Bureau Workers' Compensation Refund	253,828
Title I Grant	189,181
School Employees Retirement System Refund	93,501
Title II-A Grant	89,741
Miscellaneous Federal Grant	21,371
Miscellaneous State Grant	15,000
State Breakfast Subsidy	8,405
Preschool Handicap Grant	5,029
Title III Grant	3,152
Medicaid Reimbursement	2,037
Total Governmental Activities	$1,890,892

Note 9 – Risk Management

Insurance

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of $1,000,000 for each occurrence and $2,000,000 in the aggregate.

The School District maintains fleet insurance in the amount of $1,000,000 for any one accident or loss.

The School District maintains replacement cost insurance on buildings and contents in the amount of $168,784,922.

Settled claims have not exceeded coverage within the last three years. There has not been a significant reduction in coverage from the prior years.

Employee Health Benefits

For fiscal year 2019, the School District was a participant in the Suburban Health Consortium (the “Consortium”) to provide employee health, dental and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the Orange City School District. The Treasurer of the Orange City School District pays monthly for the actual amount of claims processed, the stop-loss premium and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The School District provides vision coverage through VSP and is also subject to certain deductibles, co-pays and maximum benefits as outlined in the plan. In order for employees to be eligible to receive vision coverage they must work at least twenty hours or more for classified and at least half time for certified employees. Per the negotiated agreement, the premium is paid based on full time equivalency. If an employee is not full time, the School District pays the premium for an employee who has single coverage and the difference between the monthly family premium and the employee contribution for family coverage.

Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniserve provides administration, cost control, and actuarial services to the GRP.

Note 10 – Capital Assets

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

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$734,366	$0	$0	$734,366
Construction in Progress	91,160	115,430	0	206,590
Total Capital Assets, not being depreciated	825,526	115,430	0	940,956
Capital Assets, being depreciated:				
Buildings and Improvements	30,418,044	675,455	0	31,093,499
Furniture and Equipment	11,091,400	333,288	(31,859)	11,392,829
Vehicles	4,449,731	267,320	(273,402)	4,443,649
Total Capital Assets, being depreciated	45,959,175	1,276,063	(305,261)	46,929,977
Less Accumulated Depreciation:				
Buildings and Improvements	(16,131,513)	(831,676)	0	(16,963,189)
Furniture and Equipment	(8,864,862)	(323,316)	31,859	(9,156,319)
Vehicles	(3,056,665)	(207,688)	273,402	(2,990,951)
Total Accumulated Depreciation	(28,053,040)	(1,362,680) *	305,261	(29,110,459)
Total Capital Assets, being depreciated, net	17,906,135	(86,617)	0	17,819,518
Governmental Activities Capital Assets, Net	$18,731,661	$28,813	$0	$18,760,474

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$754,299
Special	2,887
Vocational	3,041
Support Services:	
Pupil	14,340
Instructional Staff	29,537
Administration	4,993
Fiscal	2,354
Business	7,396
Operation and Maintenance of Plant	141,814
Pupil Transportation	176,205
Central	106,888
Operation of Non-Instructional Services:	
Food Service Operations	4,855
Other Non-Instructional Services	37,024
Extracurricular Activities	77,047
Total Depreciation Expense	$1,362,680

Note 11 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 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.

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

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

The School District's contractually required contribution to SERS was $1,400,651 for fiscal year 2019. Of this amount $20,123 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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 goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

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

The School District's contractually required contribution to STRS was $3,552,299 for fiscal year 2019. Of this amount $531,728 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.31342150%	0.21991715%	
Current Measurement Date	0.31397790%	0.21487031%	
Change in Proportionate Share	0.00055640%	-0.00504684%	
Proportionate Share of the Net Pension Liability	$17,982,095	$47,245,157	$65,227,252
Pension Expense	$1,140,326	$3,211,677	$4,352,003

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$986,204	$1,090,563	$2,076,767
Changes of assumptions	406,074	8,372,733	8,778,807
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	54,655	0	54,655
School District contributions subsequent to the measurement date	1,400,651	3,552,299	4,952,950
Total Deferred Outflows of Resources	$2,847,584	$13,015,595	$15,863,179
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$308,540	$308,540
Net difference between projected and actual earnings on pension plan investments	498,229	2,864,894	3,363,123
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	429,554	3,425,243	3,854,797
Total Deferred Inflows of Resources	$927,783	$6,598,677	$7,526,460

$4,952,950 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	$1,119,103	$2,725,268	$3,844,371
2021	142,973	1,627,322	1,770,295
2022	(590,124)	(669,779)	(1,259,903)
2023	(152,802)	(818,192)	(970,994)
Total	$519,150	$2,864,619	$3,383,769

Actuarial Assumptions – SERS

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

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

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

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

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$25,329,138	$17,982,095	$11,822,093

Actuarial Assumptions – STRS

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

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
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$68,995,332	$47,245,157	$28,836,584

Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $140,764.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $192,640 for fiscal year 2019. Of this amount $141,509 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability/Asset:			
Prior Measurement Date	0.31127180%	0.21991715%	
Current Measurement Date	0.31375710%	0.21487031%	
Change in Proportionate Share	0.00248530%	-0.00504684%	
Proportionate Share of the:			
Net OPEB Liability	\$8,704,469	\$0	\$8,704,469
Net OPEB (Asset)	\$0	(\$3,452,746)	(\$3,452,746)
OPEB Expense	\$270,996	(\$7,614,869)	(\$7,343,873)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$142,087	$403,286	$545,373
School District contributions subsequent to the measurement date	192,640	0	192,640
Total Deferred Outflows of Resources	$334,727	$403,286	$738,013
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$201,168	$201,168
Changes of assumptions	782,031	4,704,639	5,486,670
Net difference between projected and actual earnings on OPEB plan investments	13,059	394,448	407,507
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	304,338	659,714	964,052
Total Deferred Inflows of Resources	$1,099,428	$5,959,969	$7,059,397

$192,640 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	($477,638)	($1,002,691)	($1,480,329)
2021	(371,476)	(1,002,691)	(1,374,167)
2022	(35,294)	(1,002,693)	(1,037,987)
2023	(29,735)	(913,112)	(942,847)
2024	(30,639)	(881,685)	(912,324)
Thereafter	(12,559)	(753,811)	(766,370)
Total	($957,341)	($5,556,683)	($6,514,024)

Actuarial Assumptions – SERS

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

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

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

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

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

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (see Note 11).

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

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	$10,562,189	$8,704,469	$7,233,503

	1% Decrease (6.25 % decreasing to 3.75%)	Current Trend Rate (7.25 % decreasing to 4.75%)	1% Increase (8.25 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	$7,022,910	$8,704,469	$10,931,156

Actuarial Assumptions – STRS

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

Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return - Current Year	7.45 percent
Blended Discount Rate of Return - Prior Year	4.13 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

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

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

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (see Note 11).

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	($2,959,327)	($3,452,746)	($3,867,442)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	($3,844,032)	($3,452,746)	($3,055,366)

Note 13 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees whose established contractual year is 240 days or more earn 10 to 25 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 to 30 days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Employee sick leave may be accumulated to a maximum number of days, classified employees, teachers and administrators have an unlimited number of days. Upon retirement, employees receive payment for a percentage of their total sick leave accumulation, up to a maximum number of days. Classified employees receive 30 percent of their total sick leave accumulation to a maximum of 75 days, teachers receive 30 percent of their total sick leave accumulation to a maximum of 80 days, and administrators receive 30 percent of their total sick leave to a maximum of 90 days.

Early Retirement Incentive

The School District negotiated an early retirement incentive for eligible certified employees who submit an irrevocable notice of resignation for retirement from the State Teachers Retirement System on or before March 2023 to take effect on or before July 1, 2023 and who are not seeking reemployment with the School District. The incentive amount is $60,000 per eligible employee to be made in three equal payments in January of the first, second and third consecutive year after retirement. There was a liability of $600,000 as of June 30, 2019 for this plan.

Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees administered by Anthem through the Suburban Health Consortium, in the amount of $60,000 for all certified employees, $50,000 for classified employees, and $135,000 for administrators.

Note 14 – Set-Asides

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

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

	Capital Improvements
Set-Aside Balance as of June 30, 2018	$0
Current Year Set-Aside Requirement	579,917
Current Year Offsets	(2,084,466)
Qualifying Disbursements	(906,185)
Totals	($2,410,734)
Set-Aside Balance Carried Forward to Future Fiscal Years	$0
Set-Aside Balance as of June 30, 2019	$0

While the qualifying disbursements and offsets during the fiscal year reduced the capital improvement set-aside amount to below zero, this amount may not be used to reduce the set-aside requirements of future fiscal years.

Note 15 – Short-Term Debt

The School District's note activity, including amounts outstanding and interest rates, is as follows:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Permanent Improvement Fund				
Tax Anticipation Note 2019 - 2.75%	$0	$9,650,000	$0	$9,650,000
Building Fund				
Energy Conservation Notes, Series 2017 - 1.46%	75,000	0	(75,000)	0
Energy Conservation Notes, Series 2018 - 2.63%	0	240,000	0	240,000
Total Short-Term Debt	$75,000	$9,890,000	($75,000)	$9,890,000

The energy conservation improvement bond anticipation notes are backed by the full faith and credit of the School District and will mature within one year. The note liability is reflected in the fund which received the proceeds.

The tax anticipation notes will be paid from the permanent improvement capital project fund with property tax revenue. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2020	$0	$302,233	$302,233
2021	850,000	253,687	1,103,687
2022	875,000	229,969	1,104,969
2023	900,000	205,563	1,105,563
2024	920,000	180,537	1,100,537
2025	950,000	154,825	1,104,825
2026	975,000	128,356	1,103,356
2027	1,000,000	101,200	1,101,200
2028	1,030,000	73,288	1,103,288
2029	1,060,000	44,550	1,104,550
2030	1,090,000	14,987	1,104,987
	$9,650,000	$1,689,195	$11,339,195

Note 16 – Capital Lease

The School District has entered into a capital lease for copiers. The lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital lease and the book value as of June 30, 2019 follows:

	Amounts
Asset:	
Furniture and Equipment	$63,227
Less: Accumulated Depreciation	(9,484)
Current Book Value	$53,743

Amortization of the asset held under the capital lease is included in depreciation expense. Principal and interest remaining on the capital lease at June 30, 2019 was $24,156 and $859, respectively.

Note 17 – Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's long-term obligations are:

Debt Issue	Interest Rate	Issue Amount	Date of Maturity
General Obligation Bonds:			
School Improvement Refunding - 2006			
Term Bonds	4.00%	$1,830,000	December 1, 2018

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

	Principal Outstanding 6/30/18	Additions	(Reductions)	Principal Outstanding 6/30/19	Amount Due in One Year
General Obligation Debt:					
School Improvement Refunding - 2006					
Term Bonds	$930,000	$0	($930,000)	$0	$0
Unamortized Premium	27,962	0	(27,962)	0	0
Total General Obligation Bonds	957,962	0	(957,962)	0	0
Energy Conservation Notes, Series 2017	240,000	0	(240,000)	0	0
Other Long-term Obligations:					
Net Pension Liability					
SERS	18,726,242	0	(744,147)	17,982,095	0
STRS	52,241,792	0	(4,996,635)	47,245,157	0
Total Net Pension Liability	70,968,034	0	(5,740,782)	65,227,252	0
Net OPEB Liability					
SERS	8,353,717	350,752	0	8,704,469	0
STRS	8,580,356	0	(8,580,356)	0	0
Total Net OPEB Liability	16,934,073	350,752	(8,580,356)	8,704,469	0
Capital Lease Payable	43,404	0	(19,248)	24,156	24,156
Compensated Absences	5,099,335	532,595	(523,125)	5,108,805	746,540
Special Termination Benefits	400,000	360,000	(160,000)	600,000	280,000
Total Other Long-term Obligations	93,444,846	1,243,347	(15,023,511)	79,664,682	1,050,696
Total Governmental Activities	$94,642,808	$1,243,347	($16,221,473)	$79,664,682	$1,050,696

The energy conservation notes were fully repaid during fiscal year 2019 out of the building fund. The capital lease and early retirement incentive will be paid out of the general fund. Compensated absences will be paid from the general fund and the food service, Title VI-B and Title I special revenue funds. There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from following funds: general, food service, Title VI-B and Title I. For additional information related to the net pension and net OPEB liabilities see Notes 11 and 12.

On June 28, 2006, the School District issued $9,389,995 in voted general obligation bonds, which included serial, term, and capital appreciation (deep discount) bonds in the amount of $7,065,000, $1,830,000 and $494,995, respectively. The bonds advance refunded $5,605,000 of outstanding 1993

School Improvement General Obligation Bonds and $3,785,000 of outstanding 1996 School Improvement General Obligation Bonds which were issued for the purpose of renovating and making additions to school buildings. The bonds were fully repaid during fiscal year 2019.

The School District's overall debt margin was $72,144,313 with an unvoted debt margin of $800,164 at June 30, 2019.

Note 18 – Jointly Governed Organizations

Lake Geauga Computer Association

Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its twenty-member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. The School District paid $35,460 to LGCA during fiscal year 2019. Financial information can be obtained from Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

Connect

Connect is a jointly governed computer service bureau owned and operated by thirteen public school districts. Connect was formed when the Lakeshore Northeast Ohio Computer Consortium and the Lake Erie Educational Computer Association merged during fiscal year 2012. The primary function of Connect is to provide to its members the support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Major areas of service provided by Connect include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Connect is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents). Connect's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Connect's current membership includes the Educational Service Center of Cuyahoga County and thirteen school districts in Cuyahoga County. Each year, the Board of Directors elects a Chairman, a Vice Chairman, and a Recording Secretary. The Treasurer of the fiscal agent is a nonvoting, ex-officio member of the Board of Directors. The Cuyahoga County Educational Service Center serves as the fiscal agent of Connect. Each school district supports Connect based upon a per pupil charge dependent upon the software packages used. In fiscal year 2019, the School District paid $7,473 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Ohio Schools Council

The Ohio Schools Council (Council) is a jointly governed organization among 247 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly, which is the legislative body of the Council. The Council's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2019, the School District paid $6,535 to the Council. Financial information can be obtained by contacting Dr. William Zelei, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy (formerly known as Compass Energy) serves as the supplier and program manager. There are currently 165 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Note 19 – Public Entity Pools

Insurance Purchasing Pool

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

Shared Risk Pool

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors is the governing body of the Consortium. The Board of Education of each Consortium Member appoints its Superintendent or such Superintendent's designee to be its representative on the Board of Directors. The officers of the Board of Directors consist of a Chairman, Vice-Chairman and Recording Secretary, who are elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium is exercised by or under the direction of the Board of Directors. The Board of Directors also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors have the authority to waive premiums and other payments. All members of the Board of Directors serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each

District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the Orange City School District (the Fiscal Agent) at 32000 Chagrin Boulevard, Pepper Pike, Ohio 44124.

Note 20 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

School Foundation

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

Litigation

The School District is a party to legal proceedings seeking damages as of June 30, 2019. The School District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Note 21 – Interfund Balances and Transfers

Interfund Balances

Interfund balances at June 30, 2019, consisted of the following:

Interfund Payable	Interfund Receivable General
Other Governmental Funds:	
Title VI-B	$211,890
Title III	3,152
Title I	193,706
Preschool Grant	5,013
Title II-A	89,741
Miscellaneous Federal Grants	21,498
Total All Funds	$525,000

Interfund receivables/payables of $525,000 between the general fund and other governmental funds are due to the timing of the receipt of grant monies. The general fund provides temporary funding of the programs until the grant dollars are received.

Interfund Transfers

The general fund transferred $125,000 to the permanent improvement fund and $682,915 to other governmental funds to help provide funding for fiscal year 2019.

Note 22 – Encumbrances

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

General Fund	$1,103,029
Other Governmental Funds	956,916
Total	$2,059,945

Note 23 – Change in Accounting Principles and Restatement of Fund Balance

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

Also, for fiscal year 2019, the School District implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-2*. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

For fiscal year 2019, the workers' compensation special cost center, previously reported as part of the general fund, was determined to be an internal service fund. This change in accounting principle had the following effects on fund balance and proprietary net position as reported June 30, 2018. There was no change to beginning governmental activities net position.

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2018	$20,246,946	$2,957,251	$748,586	$23,952,783
Change in Fund Classification:				
Cash and Cash Equivalents	(67,640)	0	0	(67,640)
Prepaid Items	(105,116)	0	0	(105,116)
Intergovernmental Receivable	(169,706)	0	0	(169,706)
Adjusted Fund Balance at June 30, 2018	$19,904,484	$2,957,251	$748,586	$23,610,321

	Internal Service
Proprietary Net Position at June 30, 2018	$0
Change in Fund Classification:	
Cash and Cash Equivalents	67,640
Prepaid Items	105,116
Intergovernmental Receivable	169,706
Adjusted Proprietary Net Position at June 30, 2018	$342,462

Required Supplementary Information

South Euclid-Lyndhurst City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.31397790%	0.31342150%	0.32784280%
School District's Proportionate Share of the Net Pension Liability	$17,982,095	$18,726,242	$23,995,067
School District's Covered Payroll	$10,239,911	$10,266,193	$10,235,579
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.61%	182.41%	234.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.32455690%	0.33065500%	0.33065500%
$18,519,531	$16,734,261	$19,662,992
$9,797,679	$9,266,886	$9,206,344
189.02%	180.58%	213.58%
69.16%	71.70%	65.52%

South Euclid-Lyndhurst City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.31375710%	0.31127180%	0.32918440%
School District's Proportionate Share of the Net OPEB Liability	\$8,704,469	\$8,353,717	\$9,382,973
School District's Covered Payroll	\$10,239,911	\$10,266,193	\$10,235,579
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.01%	81.37%	91.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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South Euclid-Lyndhurst City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net Pension Liability	0.21487031%	0.21991715%	0.23247905%
School District's Proportionate Share of the Net Pension Liability	$47,245,157	$52,241,792	$77,817,744
School District's Covered Payroll	$24,459,029	$24,149,457	$24,446,664
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.16%	216.33%	318.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

2016	2015	2014
0.23351627%	0.23737313%	0.23737313%
$64,537,067	$57,737,359	$68,776,366
$24,376,636	$24,413,454	$23,824,092
264.75%	236.50%	288.68%
72.10%	74.70%	69.30%

South Euclid-Lyndhurst City School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.21487031%	0.21991715%	0.23247905%
School District's Proportionate Share of the Net OPEB Liability (Asset)	($3,452,746)	$8,580,356	$12,433,040
School District's Covered Payroll	$24,459,029	$24,149,457	$24,446,664
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.12%	35.53%	50.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	176.00%	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

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South Euclid-Lyndhurst City School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017
Net Pension Liability			
Contractually Required Contribution	$1,400,651	$1,382,388	$1,437,267
Contributions in Relation to the Contractually Required Contribution	(1,400,651)	(1,382,388)	(1,437,267)
Contribution Deficiency (Excess)	$0	$0	$0
School District Covered Payroll (1)	$10,375,193	$10,239,911	$10,266,193
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%
Net OPEB Liability			
Contractually Required Contribution (2)	$192,640	$199,505	$138,296
Contributions in Relation to the Contractually Required Contribution	(192,640)	(199,505)	(138,296)
Contribution Deficiency (Excess)	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	1.86%	1.95%	1.35%
Total Contributions as a Percentage of Covered Payroll (2)	15.36%	15.45%	15.35%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011	2010
$1,432,981	$1,291,334	$1,284,390	$1,274,158	$1,287,984	$1,199,885	$1,288,432
(1,432,981)	(1,291,334)	(1,284,390)	(1,274,158)	(1,287,984)	(1,199,885)	(1,288,432)
$0	$0	$0	$0	$0	$0	$0
$10,235,579	$9,797,679	$9,266,886	$9,206,344	$9,576,087	$9,545,622	$9,515,743
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
$153,490	$207,021	$139,535	$153,092	$195,648	$287,337	$189,141
(153,490)	(207,021)	(139,535)	(153,092)	(195,648)	(287,337)	(189,141)
$0	$0	$0	$0	$0	$0	$0
1.50%	2.11%	1.51%	1.66%	2.04%	3.01%	1.99%
15.50%	15.29%	15.37%	15.50%	15.49%	15.58%	15.53%

South Euclid-Lyndhurst City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2019	2018	2017
Net Pension Liability			
Contractually Required Contribution	$3,552,299	$3,424,264	$3,380,924
Contributions in Relation to the Contractually Required Contribution	(3,552,299)	(3,424,264)	(3,380,924)
Contribution Deficiency (Excess)	$0	$0	$0
School District Covered Payroll (1)	$25,373,564	$24,459,029	$24,149,457
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%
Net OPEB Liability			
Contractually Required Contribution	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011	2010
$3,422,533	$3,412,729	$3,173,749	$3,097,132	$3,259,293	$3,280,302	$3,218,006
(3,422,533)	(3,412,729)	(3,173,749)	(3,097,132)	(3,259,293)	(3,280,302)	(3,218,006)
$0	$0	$0	$0	$0	$0	$0
$24,446,664	$24,376,636	$24,413,454	$23,824,092	$25,071,485	$25,233,092	$24,753,892
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$0	$0	$244,135	$238,241	$250,715	$252,331	$247,539
0	0	(244,135)	(238,241)	(250,715)	(252,331)	(247,539)
$0	$0	$0	$0	$0	$0	$0
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
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.

Beginning with fiscal year 2018, 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 fiscal year 2017 and prior 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.

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:	
Fiscal Year 2019	3.62 percent
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2019	3.70 percent
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, 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.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

Changes in Benefit Terms – STRS

For fiscal year 2018, 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 2020.

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education
South Euclid-Lyndhurst City School District
Lyndhurst, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Euclid-Lyndhurst City School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 25, 2020, wherein we noted the District changed accounting policies on how to report the workers' compensation activity and as a result restated their June 30, 2018 fund balance and proprietary net position as disclosed in Note 23.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

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To the Board of Education
South Euclid-Lyndhurst City School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

South Euclid-Lyndhurst City School District's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni & Panichi, Inc.

Cleveland, Ohio
February 25, 2020

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Education
South Euclid-Lyndhurst City School District
Lyndhurst, Ohio

Report on Compliance for Each Major Federal Program

We have audited the South Euclid-Lyndhurst City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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To the Board of Education
South Euclid-Lyndhurst City School District

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated February 25, 2020, which contained unmodified opinions on those financial statements wherein we noted the District changed accounting policies on how to report the workers' compensation activity and as a result restated their June 30, 2018 fund balance and proprietary net position as disclosed in Note 23. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ciuni & Panichi, Inc.

Cleveland, Ohio
February 25, 2020

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South Euclid-Lyndhurst City School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Disbursements	Non-cash Disbursements
U.S. Department of Agriculture:			
Passed-Through Ohio Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	$ 197,199	$ -
National School Lunch Program	10.555	758,582	111,208
Total Child Nutrition Cluster		955,781	111,208
U.S. Department of Education:			
Passed-Through Ohio Department of Education:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	837,148	-
Special Education - Preschool Grants	84.173	18,492	-
Total Special Education Cluster (IDEA)		855,640	-
Title I Grants to Local Educational Agencies	84.010	805,378	-
Student Support and Academic Enrichment Program	84.424	55,294	-
English Language Acquisition State Grants	84.365	28,116	-
Improving Teacher Quality State Grants	84.367	78,571	-
Total U.S. Department of Education		1,822,999	-
U.S. Department of Health and Human Services			
Passed-Through Ohio Department of Developmental Disabilities:			
Medicaid Cluster:			
Medical Assistance Program	93.778	74,479	-
Total Medicaid Cluster		74,479	-
Total Expenditures of Federal Awards		$ 2,853,259	$ 111,208

The accompanying notes are an integral part of this schedule

South Euclid-Lyndhurst City School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards of the South Euclid-Lyndhurst City School District (the "District") and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed that federal monies are expended first.

Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

Medicaid Assistance Program Settlement Amounts

The District received $284,636 in reimbursements. Of this amount, $210,157 relate to settlements for services provided during prior years.

Note 2: Indirect Cost Rate

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

South Euclid-Lyndhurst City School District

Schedule of Findings and Questioned Costs
2 CFR Section 200.515

For the Year Ended June 30, 2019

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
(d)(1)(vii)	Major Programs	Special Education Cluster (IDEA): CFDA # 84.027 and 84.173 Title I Grants to Local Educational Agencies: CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >$750,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

2019-001 – Material Weakness in Internal Control over Financial Reporting

Condition:
During the audit, we discovered errors requiring adjustment to properly report the financial statements under the accounting principles generally accepted in the United State of America (GAAP) in accordance with Ohio Revised Code Section 117.38.

The District had errors in intergovernmental receivable classification that resulted in an overstatement of unadjusted intergovernmental receivable in the general fund of $253,828 and understatement of unadjusted intergovernmental receivable for the internal service fund of $253,828.

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS (continued)

2019-001 – Material Weakness in Internal Control (continued):

Criteria:
The internal control structure and processes to convert the information from the cash-basis to the GAAP-basis should provide for proper cut-off of balances and proper classification of transactions. The District should adopt policies and control procedures over the recording of year-end financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end.

Cause:
The District received a refund in fiscal year 2020 from the Ohio Bureau of Workers' Compensation related to fiscal year 2019. The District recorded the 2019 expense to the workers' compensation fund and special cost center but recorded the refund received in 2020 to the general fund. The refund should have been recorded to the workers' compensation fund and special cost center as this was where the original expense was paid from. Upon creating the cash-basis to GAAP-basis accrual journal entries, the receivable was improperly recorded in the general fund as this was the fund in which the refund was originally recorded in fiscal year 2020.

Effect:
Weaknesses in controls over the financial statement preparation process can result in inaccurate data being reported and relied upon to make financial decisions by the users of the financial statements.

Recommendations:
District personnel should gain a better understanding of the conversion process. Furthermore, the District should implement a review process to make sure information used to convert the cash-basis accounting system to GAAP is proper.

Management's Response:
The Treasurer will review transactions to ensure they are recorded to the proper account. During audit fieldwork, the Treasurer reclassified the refund to the proper fund and special cost center.

3. Findings for Federal Awards

None noted.

South Euclid-Lyndhurst City School District

Schedule of Prior Audit Findings and Questioned Costs

For the Year Ended June 30, 2019

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*
2018-001	Improper recording of accounts and intergovernmental payables	No	Partially corrected, errors over accounts payable were less significant in 2019.

Linda N. Reid
Superintendent of Schools

The Destination School Community
South Euclid Lyndhurst Schools

Joshua J. Hill
Treasurer

South Euclid Lyndhurst City School District

Corrective Action Plan

February 25, 2020

Finding 2019-001: Material Weakness in Internal Control

Contact Person: Joshua J. Hill, Treasurer

Corrective Action:

The Treasurer will review receipt transactions to ensure they are recorded to the proper account.

Completion date: Immediately

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OHIO AUDITOR OF STATE
KEITH FABER

SOUTH EUCLID – LYNDHURST CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 7, 2020

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