PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

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INDEPENDENT AUDITOR'S REPORT

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Pleasant Local School District, Marion County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Pleasant Local School District, Marion County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2019

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- Net position of governmental activities increased $5,381,141 from 2017. Further analysis of this increase may be found on page 10.

- Revenues for governmental activities totaled $14,181,056 in 2018. Of this total, $9,224,778 or 65.1 percent consisted of general revenues while program revenues accounted for the balance of $4,956,278 or 34.9 percent.

- The School District had $8,799,915 in expenses related to governmental activities; only $4,956,278 of these expenses was offset by program specific charges for services, operating grants and contributions. General revenues (primarily taxes and school foundation) of $9,224,778 were adequate for these programs.

- Program expenses totaled $8,799,915. Instructional expenses made up $5,243,817 or 59.6 percent of this total while support services accounted for $2,537,372 or 28.8 percent. Other expenses, $1,018,726 rounded out the remaining 11.6 percent.

- At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of $4,438,093, a decrease of $581,664 from 2017.

- The net pension and net other postemployment benefits (OPEB) liability combined decreased $6,771,448 from 2017. This decrease is mainly due to changes in the cost-of-living adjustment (COLA).

Using this Annual Financial Report

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

The statement of net position and the 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 a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Pleasant Local School District, the general fund, permanent improvement capital projects fund, and debt service fund are the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The analysis of the School District as a whole begins on page 7. While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?". The *Statement of Net Position* and the *Statement of Activities* assist in answering these questions. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual 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 readers that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School Districts' activities are considered to be all governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. 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. Fund financial reports provide detailed information about the general fund, the permanent improvement capital projects fund and the debt service fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation.

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

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 own 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.

Over time, net position can serve as a useful indicator of a government's financial position. During fiscal year 2018, the School District had an increase in net position of $5,381,141.

Capital assets, reported on the government-wide statements represent a large component of net position. Capital assets include land, land improvements, buildings and building improvements, furniture, fixtures and equipment, vehicles and infrastructure used to provide services to students and are not available for future spending.

Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, $603,311, represents resources that are subject to external restrictions on how the funds may be used. Of the total restricted assets, $232,582 or 38.6 percent is restricted for debt service payments and another small amount, $370,729 or 61.4 percent is restricted for other purposes. Restricted for other purposes primarily include amounts generated by individual school buildings to supplement co-curricular and extra-curricular programs, and for resources restricted for the operation of the School District's recreation center.

Table 1 provides a summary of the School District's net position for 2018 compared to 2017:

Table 1

Net Position

Governmental Activities

	2018	Restated 2017
Assets		
Current and other assets	$ 8,117,830	$ 8,565,425
Capital assets, net of depreciation	5,571,237	5,539,611
Total assets	13,689,067	14,105,036
Deferred outflows of resources		
Pension	3,970,419	3,503,757
OPEB	131,494	22,266
Total deferred outflows of resources	4,101,913	3,526,023
Liabilities		
Other liabilities	1,070,844	1,012,047
Long-term liabilities:		
Due within one year	352,610	298,030
Due in more than one year:		
Net pension liability	13,273,198	19,151,910
Net OPEB liability	2,913,860	3,806,596
Other amounts due in more than one year	502,759	592,235
Total liabilities	18,113,271	24,860,818
Deferred inflows of resources		
Property taxes	2,418,975	2,330,675
Pension	1,332,443	363,567
OPEB	469,151	-
Total deferred inflows of resources	4,220,569	2,694,242
Net Position		
Net investment in capital assets	5,351,237	5,104,057
Restricted	603,311	746,514
Unrestricted	(10,497,408)	(15,774,572)
Total net position	$ (4,542,860)	$ (9,924,001)

The net pension liability is the largest single liability reported by the School District at June 30, 2018. For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits other than pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). Users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from ($6,139,671) to ($9,924,001).

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $22,266 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $503,093.

In addition to the negative expense reported for OPEB, the School District is reporting a negative expense in the amount of $4,478,239 for significant changes in the net pension liability for fiscal year 2018.

Table 2 reflects the changes in net position for fiscal year 2018 and fiscal year 2017.

Table 2
Governmental Activities

	2018	2017
Program Revenues		
Charges for services	$ 3,797,708	$ 3,706,860
Operating grants and contributions	1,158,570	1,120,800
Total program revenues	4,956,278	4,827,660
General Revenues		
Property taxes	4,340,404	4,270,151
Grants and entitlements	4,777,440	4,683,556
Investment earnings	58,158	33,848
Miscellaneous	48,776	34,332
Total general revenues	9,224,778	9,021,887
Total revenues	14,181,056	13,849,547
Program Expenses		
Instruction:		
Regular	4,311,039	7,606,108
Special	843,917	1,398,628
Vocational	6,510	64,754
Other	82,351	151,465
Support services:		
Pupils	181,827	372,966
Instructional staff	398,604	282,142
Board of education	108,015	59,178
Administration	54,890	1,088,137
Fiscal	304,836	326,123
Operation and maintenance of plant	985,028	982,323
Pupil transportation	467,025	484,775
Central	37,147	46,850
Operation non-instructional services	701,746	955,918
Extracurricular activities	307,696	529,418
Interest and fiscal charges	9,284	14,546
Total Program Expenses	8,799,915	14,363,331
Change in net position	5,381,141	(513,784)
Net position beginning of year	(9,924,001)	(5,625,887)
Restatement	-	(3,784,330)
Net position end of year	$ (4,542,860)	$ (9,924,001)

Governmental Activities

Several revenue sources fund our governmental activities with property taxes and State foundation revenues being the largest contributors. Property tax levies generated over $4.3 million in 2018. General revenues from grants and entitlements, such as the school foundation program, generated over $4.7 million. With the combination of taxes and intergovernmental funding 64.3 percent of all revenues, the School District monitors both of these revenue sources very closely for fluctuations.

A review of Table 2 reflects that the total cost of instructional services was $5,243,817 or 59.6 percent of governmental program expenses. Instructional expenses include activities directly related to the teaching of pupils and the interaction between teacher and pupil. As compared to the prior year, these expenses decreased $3,977,138, or 43.1 percent mainly due to the significant decrease in the net pension and net OPEB liabilities.

Pupil services and instructional staff include the activities involved in assisting staff and the content and process of teaching pupils. These expenses represent $580,431 of the total governmental program expenses, or 6.6 percent. These expenses decreased from the prior year in the amount of $74,677, or 11.4 percent again due to the changes in the net pension and net OPEB liabilities.

Board of Education, administration and fiscal classifications reflect expenses associated with establishing and administering school operation policies, financial operations and activities concerned with purchasing, receiving and maintaining goods and services for the School District. The total cost was $467,741 or 5.3 percent of governmental program expenses. Expenses of these programs decreased $1,005,697, or 68.3 percent, as compared to fiscal year 2017.

Operation and maintenance of plant expenses refer to the care and upkeep of the buildings, grounds, equipment and the safety of the School District's operations. The total cost for the operation and maintenance services was $985,028 or 11.2 percent of the governmental program expenses. Expenses for providing this program increased $2,705, or 0.3 percent as compared to the prior year.

Pupil transportation expenses are expenses related to the transportation of students to and from school, as well as the service and maintenance of those vehicles. Total transportation cost was $467,025 or 5.3 percent of the total governmental program expenditures. Expenses for providing this program decreased $17,750, or 3.7 percent as compared to the prior year.

The dependence upon tax revenues for governmental activities is apparent with only 56.3 percent of governmental expenses supported by program revenues.

As a result of implementing the accounting standard for pension and OPEB, the School District is reporting a significant net pension liability, net OPEB liability and related deferred inflows of resources for the fiscal year which have a negative effect on net position. In addition, the School District is reporting deferred outflows of resources and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The decrease in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the School District's net position, additional information is presented below.

	2018	2017
Deferred outflows - pension	$ 3,970,419	$ 3,503,757
Deferred outflows - OPEB	131,494	22,266
Deferred inflows - pension	(1,332,443)	(363,567)
Deferred inflows - OPEB	(469,151)	-
Net pension liability	(13,273,198)	(19,151,910)
Net OPEB liability	(2,913,860)	(3,806,596)
Impact of GASB 68 and GABB 75 on net position	$ (13,886,739)	$ (19,796,050)

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The general fund experienced a 6.6 percent decrease in fund balance.

Table 3
Fund Balances

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase/ (Decrease)	Percent Change
General	$ 3,630,930	$ 3,885,767	$ (254,837)	(6.56%)
Permanent improvement	228,776	412,675	(183,899)	(44.56%)
Debt service	233,178	458,553	(225,375)	(49.15%)
Other governmental	345,209	262,762	82,447	31.38%
Total	$ 4,438,093	$ 5,019,757	$ (581,664)	

General Fund

The net change in fund balance for the fiscal year was not too significant in the general fund reporting a fund balance of $3,630,930, a decrease of $254,837 from 2017. This decrease was not due to any one specific item but due to an increase in expenditures and only a slight increase in revenues for the current fiscal year.

Table 4
General Fund Changes in Revenues and Expenditures

	2018 Amount	2017 Amount	Increase (Decrease)	Percent Change
Revenues:				
Property taxes	$ 4,348,885	$ 4,328,017	$ 20,868	0.48%
Intergovernmental	4,866,034	4,783,093	82,941	1.73%
Interest	58,158	33,848	24,310	71.82%
Tuition and fees	2,431,959	2,524,701	(92,742)	(3.67%)
Extracurricular activities	81,751	81,706	45	0.06%
Gifts and donations	28,636	1,545	27,091	1753.46%
Charges for services	597,344	422,240	175,104	41.47%
Rent	178,450	172,800	5,650	3.27%
Miscellaneous	33,281	35,282	(2,001)	(5.67%)
Total revenues	12,624,498	12,383,232	241,266	
Expenditures:				
Current:				
Instruction:				
Regular	7,465,861	7,301,048	164,813	2.26%
Special	1,229,927	1,213,633	16,294	1.34%
Vocational	43,539	61,547	(18,008)	(29.26%)
Other	1,986	3,654	(1,668)	(45.65%)
Support services:				
Pupils	178,972	144,461	34,511	23.89%
Instructional staff	446,727	234,201	212,526	90.75%
Board of education	108,560	58,545	50,015	85.43%
Administration	923,234	820,726	102,508	12.49%
Fiscal	325,643	309,757	15,886	5.13%
Operation and maintenance of plant	885,866	804,813	81,053	10.07%
Pupil transportation	428,350	398,424	29,926	7.51%
Central	41,885	44,074	(2,189)	(4.97%)
Operation of non-instructional services	569,869	401,257	168,612	42.02%
Extracurricular	256,535	255,376	1,159	0.45%
Capital outlay	116,589	11,827	104,762	885.79%
Debt service:				
Principal retirement	55,848	26,343	29,505	112.00%
Interest and fiscal charges	-	291	(291)	(100.00%)
Total expenditures	$ 13,079,391	$ 12,089,977	$ 989,414	

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 fiscal year 2018, the School District amended its general fund budget as expenditure priorities changed according to student, building and operational needs. Budget revisions are presented to the Board of Education for approval.

For the general fund, the final budget basis revenue and other financing sources estimate was $12,633,450, representing an increase of $1,031,440 from the original budget estimate primarily due from revenues not known at the original budget process. Actual revenue and other financing sources of $12,634,795 increased $1,345 from the final budget basis revenue estimate. This increase of actual revenues was not significant in any one area.

The difference between the original budget appropriations and other financing uses and the final amended budget appropriations and other financing uses of the general fund was an increase of $357,775. This increase is not significant to any one area of expenditures. Actual expenditures, including encumbrances were under budget by $45,771. This was the result of conservative spending by the School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $5,571,237 invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of $31,626 mainly due to current year additions exceeding current year depreciation expense. For further information regarding the School District's capital assets, refer to Note 7 to the basic financial statements.

Table 5
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$ 416,997	$ 416,997
Land improvements	647,524	728,611
Buildings and building improvements	3,933,853	3,919,741
Furniture, fixtures and equipment	207,537	220,116
Vehicles	302,374	189,242
Infrastructure	62,952	64,904
Total capital assets	$ 5,571,237	$ 5,539,611

Debt

At June 30, 2018, the School District had $375,603 in bonds and capital leases outstanding with $269,951 due within one year. Table 6 summarizes the bonds outstanding:

Table 6
Outstanding Debt, at Fiscal Year End
Governmental Activities

	2018	2017
2011 School Improvement Bonds	$ 220,000	$ 435,000
Unamortized premium	-	554
Capital leases	155,603	-
Total outstanding	$ 375,603	$ 435,554

At June 30, 2018, the School District had outstanding school improvement general obligation bonds, in the amount of $220,000, for building improvements. The bonds, originally issued for a twenty-five year period, with final maturity on December 1, 2018, were refunded in fiscal year 2011, generating a savings of approximately $155,000 to the School District over the remaining term of the bonds.

In addition to the bonds and capital leases, the School District's long-term obligations include compensated absences, the net pension liability and the OPEB pension liability. For further information regarding the School District's long-term obligations, refer to Notes 12 and 13 to the basic financial statements.

School District Outlook

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

The School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

The School District continues to sponsor the Pleasant Community Academy, a community school learning opportunity for kindergarten students. The Academy completed its fourteenth year of operations in fiscal year 2018. With this Academy, the School District has received federal grant funding enabling it to enhance technological learning opportunities and expand the curriculum for these students.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jolene Carter, Treasurer, Pleasant Local School District, 1107 Owens Road West, Marion, Ohio 43302.

Pleasant Local School District

Statement of Net Position

June 30, 2018

	Primary Government: Governmental Activities	Component Unit: Pleasant Community Academy
Assets:		
Equity in pooled cash and cash equivalents	$ 3,426,257	$ 1,200,821
Inventory held for resale	6,315	-
Receivables:		
Accounts	67,271	-
Intergovernmental	240,073	20,042
Accrued interest	8,448	-
Taxes	4,201,843	-
Prepaid items	167,623	-
Capital assets:		
Nondepreciable capital assets	416,997	-
Depreciable capital assets	12,076,941	392,100
Accumulated depreciation	(6,922,701)	(289,574)
Total net capital assets	5,571,237	102,526
Total assets	13,689,067	1,323,389
Deferred outflows of resources:		
Pension	3,970,419	-
OPEB	131,494	-
Total deferred outflows of resources	4,101,913	-
Liabilities:		
Accounts payable	127,698	69,509
Accrued wages and benefits	779,872	-
Intergovernmental payable	162,678	-
Accrued interest payable	596	-
Long-term liabilities:		
Due within one year	352,610	-
Due in more than one year:		
Net pension liability	13,273,198	-
Net OPEB liability	2,913,860	-
Other amounts due in more than one year	502,759	-
Total liabilities	18,113,271	69,509
Deferred inflows of resources:		
Property taxes	2,418,975	-
Pension	1,332,443	-
OPEB	469,151	-
Total deferred inflows of resources	4,220,569	-
Net Position:		
Net investment in capital assets	5,351,237	102,526
Restricted for:		
Debt service	232,582	-
Other purposes	370,729	3,830
Unrestricted	(10,497,408)	1,147,524
Total net position	$ (4,542,860)	$ 1,253,880

See accompanying notes to the basic financial statements.

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
				Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	Pleasant Community Academy
Governmental Activities:					
Instruction:					
Regular	$4,311,039	$ 2,311,458	$ 45,969	$ (1,953,612)	$ -
Special	843,917	179,683	268,599	(395,635)	-
Vocational	6,510	-	-	(6,510)	-
Other	82,351	-	153,651	71,300	-
Support services:					
Pupils	181,827	15,483	233,123	66,779	-
Instructional staff	398,604	-	68,100	(330,504)	-
Board of education	108,015	-	-	(108,015)	-
Administration	54,890	27,449	102,482	75,041	-
Fiscal	304,836	-	-	(304,836)	-
Operation and maintenance of plant	985,028	178,450	-	(806,578)	-
Pupil transportation	467,025	-	20,315	(446,710)	-
Central	37,147	-	-	(37,147)	-
Operation of non-instructional services	701,746	824,500	266,331	389,085	-
Extracurricular activities	307,696	260,685	-	(47,011)	-
Interest and fiscal charges	9,284	-	-	(9,284)	-
Total primary government	$ 8,799,915	$ 3,797,708	$ 1,158,570	(3,843,637)	-
Component Unit:					
Pleasant Community Academy	$ 834,494	$ -	$ 43,809	-	(790,685)
	General Revenues:				
	Property taxes levied for:				
	General purposes			4,340,404	-
	Grants and entitlements not restricted to specific programs			4,777,440	920,475
	Investment earnings			58,158	11,338
	Miscellaneous			48,776	250
	Total general revenues			9,224,778	932,063
	Change in net position			5,381,141	141,378
	Net position beginning of year, restated			(9,924,001)	1,112,502
	Net position end of year			$ (4,542,860)	$ 1,253,880

See accompanying notes to the basic financial statements.

Pleasant Local School District

Balance Sheet
Governmental Funds
June 30, 2018

	General	Permanent Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	$ 2,658,942	$ 228,776	$ 233,178	$ 305,361	$ 3,426,257
Inventory held for resale	-	-	-	6,315	6,315
Receivables:					
Accounts	67,220	-	-	51	67,271
Intergovernmental	26,008	-	-	214,065	240,073
Accrued interest	8,448	-	-	-	8,448
Interfund	41,322		-	-	41,322
Taxes	4,201,843	-	-	-	4,201,843
Prepaid items	141,630	-	-	25,993	167,623
Total assets	$ 7,145,413	$ 228,776	$ 233,178	$ 551,785	$ 8,159,152
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	$ 71,113	$ -	$ -	$ 56,585	$ 127,698
Accrued wages and benefits	715,739	-	-	64,133	779,872
Interfund payable	-	-	-	41,322	41,322
Intergovernmental payable	145,443	-	-	17,235	162,678
Total liabilities	932,295	-	-	179,275	1,111,570
Deferred inflows of resources:					
Property taxes	2,418,975	-	-	-	2,418,975
Unavailable revenue - delinquent property taxes	163,213	-	-	-	163,213
Unavailable revenue - other	-	-	-	27,301	27,301
Total deferred inflows of resources	2,582,188	-	-	27,301	2,609,489
Fund balances:					
Nonspendable:					
Prepaids	141,630	-	-	25,993	167,623
Restricted for:					
Food service	-	-	-	156,141	156,141
Athletics and music	-	-	-	120,192	120,192
Instructional programs	-	-	-	43,419	43,419
Technology	-	-	-	5,400	5,400
Debt service	-	-	233,178	-	233,178
Committed to underground storage tanks	11,000	-	-	-	11,000
Assigned to:					
Encumbrances	228,666	-	-	-	228,666
Next years budget	957,910	-	-	-	957,910
Permanent improvements	-	228,776	-	-	228,776
Unassigned	2,291,724	-	-	(5,936)	2,285,788
Total fund balances	3,630,930	228,776	233,178	345,209	4,438,093
Total liabilities, deferred inflows of resources and fund balances	$ 7,145,413	$ 228,776	$ 233,178	$ 551,785	$ 8,159,152

See accompanying notes to the basic financial statements.

Pleasant Local School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total governmental fund balances		$ 4,438,093
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.		5,571,237
Other long-term assets that are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Property taxes	$ 163,213	
Intergovernmental	27,301	
		190,514
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	$ 3,970,419	
Deferred inflows - pension	(1,332,443)	
Net pension liability	(13,273,198)	
Deferred outflows - OPEB	131,494	
Deferred inflows - OPEB	(469,151)	
Net OPEB liability	(2,913,860)	
		(13,886,739)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	$ (220,000)	
Compensated absences	(479,766)	
Capital leases	(155,603)	
Accrued interest payable	(596)	
Total		(855,965)
Net position of governmental activities		$ (4,542,860)

See accompanying notes to the basic financial statements.

Pleasant Local School District

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Permanent Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	$ 4,348,885	$ -	$ -	$ -	$ 4,348,885
Intergovernmental	4,866,034	-	-	1,062,560	5,928,594
Interest	58,158	-	-	-	58,158
Tuition and fees	2,431,959	-	-	-	2,431,959
Extracurricular activities	81,751	-	-	237,475	319,226
Gifts and donations	28,636	-	-	-	28,636
Charges for services	597,344	-	-	254,605	851,949
Rent	178,450	-	-	-	178,450
Miscellaneous	33,281	-	-	15,483	48,764
Total revenues	12,624,498	-	-	1,570,123	14,194,621
Expenditures:					
Current:					
Instruction:					
Regular	7,465,861	-	-	5,469	7,471,330
Special	1,229,927	-	-	189,389	1,419,316
Vocational	43,539	-	-	-	43,539
Other	1,986	-	-	135,061	137,047
Support services:					
Pupils	178,972	-	-	253,076	432,048
Instructional staff	446,727	-	-	63,894	510,621
Board of education	108,560	-	-	-	108,560
Administration	923,234	-	-	90,683	1,013,917
Fiscal	325,643	-	-	-	325,643
Operation and maintenance of plant	885,866	9,200	-	-	895,066
Pupil transportation	428,350	-	-	18,836	447,186
Central	41,885	-	-	-	41,885
Operation of non-instructional services	569,869	-	-	489,485	1,059,354
Extracurricular activities	256,535	-	-	195,561	452,096
Capital outlay	116,589	174,699	-	57,617	348,905
Debt service:					
Principal retirement	55,848	-	215,000	-	270,848
Interest and fiscal charges	-	-	10,375	-	10,375
Total expenditures	13,079,391	183,899	225,375	1,499,071	14,987,736
Excess of revenues over (under) expenditures	(454,893)	(183,899)	(225,375)	71,052	(793,115)
Other financing sources (uses):					
Inception of capital lease	211,451	-	-	-	211,451
Transfers in	-	-	-	11,395	11,395
Transfers out	(11,395)	-	-	-	(11,395)
Total other financing sources (uses)	200,056	-	-	11,395	211,451
Net change in fund balances	(254,837)	(183,899)	(225,375)	82,447	(581,664)
Fund balances at beginning of year	3,885,767	412,675	458,553	262,762	5,019,757
Fund balances at end of year	$ 3,630,930	$ 228,776	$ 233,178	$ 345,209	$ 4,438,093

See accompanying notes to the basic financial statements.

Pleasant Local School District

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

For the Fiscal Year Ended June 30, 2018

Net change in fund balances - total governmental funds		$ (581,664)
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 capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	$ 348,905	
Depreciation expense	(317,279)	
Excess of capital asset additions over depreciation expense		31,626
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	$ (8,481)	
Intergovernmental	(5,084)	
Net change in deferred inflows of resources during the year		(13,565)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		898,259
OPEB		29,720
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		4,478,239
OPEB		503,093
Repayment of bonds and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		270,848
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net position, the lease obligation is reported as a liability.		
Inception of a capital lease		(211,451)
Some items 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. These activities consist of:		
Increase in compensated absences	$ (25,055)	
Decrease in accrued interest payable	537	
Amortization of premium	554	
Total additional expenditures		(23,964)
Change in net position of governmental activities		$ 5,381,141

See accompanying notes to the basic financial statements.

Pleasant Local School District

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property taxes	$ 3,853,946	$ 4,390,315	$ 4,390,315	$ -
Intergovernmental	4,673,751	4,862,098	4,862,096	(2)
Interest	27,012	60,370	59,757	(613)
Tuition and fees	2,301,944	2,398,954	2,398,954	-
Rent	166,367	178,450	178,450	-
Extracurricular activities	25,220	23,210	23,210	-
Gifts and donations	669	16,136	16,136	-
Charges for services	501,010	589,683	581,693	(7,990)
Miscellaneous	27,091	22,227	32,177	9,950
Total revenues	11,577,010	12,541,443	12,542,788	1,345
Expenditures:				
Current:				
Instruction:				
Regular	7,539,967	7,423,655	7,422,867	788
Special	1,059,731	1,238,914	1,233,907	5,007
Vocational	49,457	47,970	50,814	(2,844)
Other	6	1,826	1,568	258
Support services:				
Pupils	182,064	182,125	179,804	2,321
Instructional staff	264,844	314,711	315,751	(1,040)
Board of education	67,373	105,307	105,196	111
Administration	899,364	934,967	935,262	(295)
Fiscal	343,747	331,177	329,588	1,589
Operation and maintenance of plant	917,432	930,162	900,785	29,377
Pupil transportation	526,881	632,904	624,256	8,648
Central	47,245	42,869	42,197	672
Operation of non-instructional services:				
Shared services	527,422	562,234	562,231	3
Extracurricular activities	258,386	260,803	259,627	1,176
Capital outlay	-	14,500	14,500	-
Total expenditures	12,683,919	13,024,124	12,978,353	45,771
Excess of revenues under expenditures	(1,106,909)	(482,681)	(435,565)	47,116
Other financing sources (uses):				
Refund of prior year expenditures	25,000	89,074	89,074	-
Insurance recoveries	-	2,933	2,933	-
Transfers out	(2,025)	(19,595)	(19,595)	-
Total other financing sources (uses)	22,975	72,412	72,412	-
Net change in fund balance	(1,083,934)	(410,269)	(363,153)	47,116
Fund balance at beginning of year	2,548,280	2,548,280	2,548,280	-
Prior year encumbrances appropriated	243,052	243,052	243,052	-
Fund balance at end of year	$ 1,707,398	$ 2,381,063	$ 2,428,179	$ 47,116

See accompanying notes to the basic financial statements.

Pleasant Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust Scholarships	Agency
Assets:		
Equity in pooled cash and cash equivalents	$ 86,825	$ 85,891
Receivables:		
Accounts	-	78
Total assets	$ 86,825	$ 85,969
Liabilities:		
Accounts payable	$ -	$ 554
Undistributed monies	-	23,246
Due to students	-	62,169
Total liabilities	-	$ 85,969
Net position:		
Held in trust for scholarships	76,825	
Endowment	10,000	
Total net position	$ 86,825	

See accompanying notes to the basic financial statements.

Pleasant Local School District

Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2018

	Scholarships
Additions:	
Gifts and donations	$ 14,293
Deductions:	
Payments in accordance with trust agreements	2,114
Change in net position	12,179
Net position beginning of year	74,646
Net position end of year	$ 86,825

See accompanying notes to the basic financial statements.

Note 1 - Description of the School District and Reporting Entity

Pleasant Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1916. The School District serves an area of approximately thirty-six square miles. It is located in Marion County and includes all of Pleasant Township, portions of Marion and Richland Townships, and a portion of the City of Marion. It is staffed by 47 classified employees, 87 certified teaching personnel, and 6 administrative employees who provide services to 1,235 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The component unit column on the financial statements identify the financial data of the School District's component unit, Pleasant Community Academy (PCA). It is reported separately to emphasize that it is legally separate from the School District. Information about this component unit is presented in Note 17 to the basic financial statements.

Pleasant Community Academy. PCA is a legally separate, not-for-profit corporation. PCA, under a contractual agreement with the Pleasant Local School District, provides education opportunities to kindergarten students. Pleasant Local School District is PCA's sponsoring government and PCA's Board of Directors is made up of seven at large members from the community. Pleasant Local School District is financially accountable for PCA and can impose its will on PCA. PCA is reported as a discretely presented component unit on Pleasant Local School District's financial statements. Financial information can be obtained from Jolene Carter, Treasurer, Pleasant Community Academy, 1107 Owens Road West, Marion, Ohio 43302.

The School District participates in four jointly governed organizations. These organizations are META Solutions; Tri-Rivers Joint Vocational School; North Central Ohio Special Education Regional Resource Center; and Northwestern Ohio Educational Research Council, Inc. These organizations are presented in Notes 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Pleasant Local 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. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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.

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, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of 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 function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 is reported as fund balance. The School District's major funds are the general fund, permanent improvement capital projects fund and debt service fund.

> General Fund - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> Permanent Improvement Fund - The permanent improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.
>
> Debt Service Fund – The debt service fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

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

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, deferred outflows of resources, 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 (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 the 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 both measurable and available at fiscal year-end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report 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 that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of operation of non-instructional services. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the "Operating Grants, Contributions and Interest" program revenue account.

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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to an interest in STAR Ohio, the State Treasurer's Investment Pool.

The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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

For presentation on the basic financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Cash not required to meet the immediate financial obligations of the district is invested in an investment pool operated under the auspices of the Treasurer of the State of Ohio as provided for by Ohio law so that the district can maximize its investment earnings. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds or federal grants, unless the Board specifically allows the interest to be recorded in other funds.

G. Inventory

On the governmental-wide financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at the end of the year. Inventories of the food service special revenue fund consist of donated food, purchased food and supplies held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All 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:

Asset description	Estimated lives
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	10 - 15 years
Infrastructure	50 years

I. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund services provided are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net position.

J. Premiums

In governmental fund types, premiums are recognized in the current period. On the statement of net position, premiums are amortized over the term of the debt using the bonds outstanding method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the debt.

K. Pension and other postemployment benefits (OPEB)

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

The current accounting standard requires school districts to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the School District’s proportionate share of each plan’s collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the School District. However, the School District is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB liability. The School District has no control over the changes in the benefits, contribution rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

L. 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 the School District 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.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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, separation benefits and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term loans, and capital leases 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 plan's fiduciary net position is not sufficient for payment of those benefits.

N. Net Position

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balance

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

<u>Nonspendable</u> 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.

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

Assigned fund balance classification includes amounts intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

The 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.

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

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.

Q. 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 - Budgetary Basis of Accounting

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

The major differences between the budget basis and GAAP basis are that:

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

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

3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

4. Encumbrances are treated as expenditures (budget basis) rather than assigned fund balance (GAAP basis).

5. The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenue funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	General
GAAP basis	$ (254,837)
Revenue accruals	(96,467)
Expenditure accruals	228,781
Budgeted as part of special revenue funds:	
Revenues	(104,687)
Transfers to/from general fund	(8,200)
Expenditures	91,377
Encumbrances (Budget Basis)	
outstanding at year end	(219,120)
Budget basis	$ (363,153)

Note 4 - Deposits and Investments

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

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

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

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 within five years from the date of deposit or by savings or deposit accounts including pass book accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the School District and the investment is not a commercial paper note, a banker’s acceptance or a repurchase agreement:

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

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

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

4. Bonds and other obligations of the State of Ohio;

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

6. The State Treasurer's investment pool (STAR Ohio); and

7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and

8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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

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

A. Cash on Hand

At fiscal year-end, the School District had $175 in undeposited cash on hand in various Board-approved change and petty cash accounts which is included as part of “equity in pooled cash and cash equivalents”.

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the carrying amount of the School District’s deposits was $1,139,902. The School District’s bank balance of $1,405,534 was not exposed to custodial credit risk.

C. Investments

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

Investment type	Fair Value	Percentage of Investments	Maturity	Rating
STAR Ohio	$ 2,458,896	100.00%	48.9 (1)	AAAm

(1) Days (Average)

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. As previously discussed Star Ohio is reported at its net asset value.

Custodial credit risk for an investment is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Interest rate risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy does not address limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio an AAAm rating. The School District's investment policy requires certain credit ratings for some investments as allowed by state law.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $58,158, which includes $15,109 assigned from other School District funds.

Note 5 - 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 property, public utility property, and tangible personal property (used for public utilities) located in the School District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represents the collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Marion County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2018, are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2018 and for which there was 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 reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset to deferred inflows of resources-property taxes. The amount available as an advance at June 30, 2018, was $1,619,655 in the general fund. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, the revenue has been reported as deferred inflows of resources-unavailable revenue.

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

Property Category	2017 Assessed Value	2016 Assessed Value
Real Property		
Residential and agricultural	$ 161,673,580	$ 161,261,830
Commercial, industrial and minerals	21,935,240	21,909,600
Tangible Personal Property		
Public utilities	12,553,090	12,090,560
Total	$ 196,161,910	$ 195,261,990

Note 6 - Receivables

Receivables at year-end consisted of taxes, accounts, interest, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

Governmental activities	Amount
General fund	$ 26,008
Special revenue funds:	
IDEA, Part B special education	27,897
Title I	92,216
Title II-A	2,561
Miscellaneous federal grants	91,391
Total intergovernmental receivable	$ 240,073

Note 7 - Capital Assets

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

Governmental Activities	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 416,997	$ -	$ -	$ 416,997
Total capital assets, not being depreciated	416,997	-	-	416,997
Capital assets, being depreciated:				
Land improvements	2,747,030	10,268	-	2,757,298
Buildings and improvements	6,316,355	128,818	-	6,445,173
Furniture, fixtures and equipment	1,547,686	40,427	(8,190)	1,579,923
Vehicles	1,195,868	169,392	(168,313)	1,196,947
Infrastructure	97,600	-	-	97,600
Total capital assets, being depreciated	11,904,539	348,905	(176,503)	12,076,941
Less: Accumulated depreciation				
Land improvements	(2,018,419)	(91,355)	-	(2,109,774)
Buildings and improvements	(2,396,614)	(114,706)	-	(2,511,320)
Furniture, fixtures and equipment	(1,327,570)	(53,006)	8,190	(1,372,386)
Vehicles	(1,006,626)	(56,260)	168,313	(894,573)
Infrastructure	(32,696)	(1,952)	-	(34,648)
Total accumulated depreciation	(6,781,925)	(317,279)	176,503	(6,922,701)
Total capital assets being depreciated, net	5,122,614	31,626	-	5,154,240
Governmental activities capital assets, net	$ 5,539,611	$ 31,626	$ -	$ 5,571,237

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	$	53,482
Special		1,025
Vocational		156
Support services:		
Pupils		234
Instructional staff		13,484
Administration		302
Fiscal		237
Operation and maintenance of plant		138,518
Pupil transportation		53,399
Operation of non-instructional services		9,665
Extracurricular activities		46,777
Total depreciation	$	317,279

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

For fiscal year 2018, the School District participated in the Sheakley/Better Business Bureau of Central Ohio, Inc. Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan 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 Plan. The third party administrator, Sheakley, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District participates in the Stark County Schools Council of Governments Health Benefit Plan (Plan), a public entity shared risk pool. The School District pays monthly premiums to the Plan for employee medical, dental, vision, and life insurance benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, the participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

Note 9 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

A. School Employees Retirement System

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 after August 1, 2017
Full benefits	Age 65 with 5 years of service credit or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The School District's contractually required contribution to SERS was $181,084 for fiscal year 2018. Of this amount $3,606 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and 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 credit. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $717,175 for fiscal year 2018. Of this amount $102,863 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the net pension liability - prior measurement date	0.043593%	0.0476840%	
Proportion of the net pension liability - current measurement date	0.042492%	0.0451875%	
Change in proportionate share	-0.001101%	-0.002497%	
Proportionate share of the net pension liability	$2,538,815	$10,734,383	$13,273,198
Pension expense	($80,457)	($4,397,782)	($4,478,239)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 109,262	$ 414,511	$ 523,773
Changes of assumptions	131,284	2,347,727	2,479,011
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	69,376	-	69,376
School District contributions subsequent to the measurement date	181,084	717,175	898,259
Total deferred outflows of resources	$ 491,006	$ 3,479,413	$ 3,970,419
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 12,051	$ 354,247	$ 366,298
Difference between expected and actual experience	-	86,515	86,515
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	71,334	808,296	879,630
Total deferred inflows of resources	$ 83,385	$ 1,249,058	$ 1,332,443

$898,259 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	SERS	STRS	Total
2019	$ 101,452	$ 236,425	$ 337,877
2020	159,728	718,322	878,050
2021	24,542	517,413	541,955
2022	(59,185)	41,020	(18,165)
Total	$ 226,537	$ 1,513,180	$ 1,739,717

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience study that was completed June 30, 2015.

The cost of living adjustment was changed from a fixed 3 percent annual increase in the prior measurement date to a cost of living adjustment based on the change in the Consumer Price Index (CPI-W) not greater than 2.5 percent with a floor of zero percent beginning January 1, 2018. In addition, the Board has enacted a three year COLA suspension for benefit recipients in calendar years 2018, 2019, and 2020.

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

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

Asset class	Target allocation	Long term expected real rate of return
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00 %	

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

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

	1% Decrease 6.5%	Current discount rate 7.5%	1% Increase 8.5%
School District's proportionate share of the net pension liability	$ 3,523,216	$2,538,815	$1,714,179

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses
Payroll increases	3.00 percent
Cost-of-living adjustments (COLA)	0 percent, effective July 1, 2017

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016, (f) post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016, (g) pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Asset class	Target allocation **	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the 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	$ 15,387,372	$10,734,383	$6,814,936

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2018, several members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages.

Note 10 - Postemployment Benefits

Net OPEB Liability

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

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

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

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

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

A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned.

For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $23,013.

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 $29,720 for fiscal year 2018. Of this amount $23,146 is reported as an intergovernmental payable.

B. State Teachers Retirement System

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

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

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

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

	SERS	STRS	Total
Proportion of the net OPEB liability - prior measurement date	0.044080%	0.0476840%	
Proportion of the net OPEB liability - current measurement date	0.042881%	0.0451875%	
Change in proportionate share	-0.001199%	-0.002497%	
Proportionate share of the net OPEB liability	$1,150,811	$1,763,049	$2,913,860
OPEB expense	$53,968	($557,061)	($503,093)

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

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ -	$ 101,774	$ 101,774
School District contributions subsequent to the measurement date	29,720	-	29,720
Total deferred outflows of resources	$ 29,720	$ 101,774	$ 131,494
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 3,039	$ 75,357	$ 78,396
Changes of assumptions	109,206	142,019	251,225
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	25,089	114,441	139,530
Total deferred inflows of resources	$ 137,334	$ 331,817	$ 469,151

$29,720 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	SERS	STRS	Total
2019	$ (49,417)	$ (44,621)	$ (94,038)
2020	(49,417)	(44,621)	(94,038)
2021	(37,741)	(44,621)	(82,362)
2022	(759)	(44,622)	(45,381)
2023	-	(25,782)	(25,782)
Thereafter	-	(25,776)	(25,776)
Total	$ (137,334)	$ (230,043)	$ (367,377)

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
Investment rate of return	7.5 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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

Asset class	Target allocation	Long term expected real rate of return
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategies	10.00	3.00
Total	100.00 %	

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current discount rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$ 1,389,750	$1,150,811	$961,509

	1% Decrease (6.5% decreasing to 4.0%)	Current trend rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
School District's proportionate share of the net OPEB liability	$ 933,797	$1,150,811	$1,438,033

Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

Asset class	Target allocation	Long term expected real rate of return*
Domestic equity	28.00 %	7.35 %
International equity	23.00	7.55
Alternatives	17.00	7.09
Fixed income	21.00	3.00
Real estate	10.00	6.00
Liquidity reserves	1.00	2.25
Total	100.00 %	

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

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

The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current discount rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$ 2,366,865	$1,763,049	$1,285,837

	1% Decrease	Current trend rate	1% Increase
School District's proportionate share of the net OPEB liability	$ 1,224,891	$1,763,049	$2,471,328

Note 11 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified and administrative employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-one days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of forty-one and one-half days for all employees.

B. Health Care Benefits

The School District offers medical, dental, and life insurance benefits to employees through the Stark County Schools Council of Governments Health Benefit Plan. Employees share the cost of the monthly premium with the Board. The premium varies with the employee depending on the terms of the union contract.

Note 12 - Long-Term Obligations

Changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

General Long-term Obligations	Restated Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within one year
General Obligation Bonds and Loans					
2011 School improvement, 2.0% - 3.25%	$ 435,000	$ -	$ (215,000)	$ 220,000	$ 220,000
Premium on bonds	554	-	(554)	-	-
Subtotal bonds and loans	435,554	-	(215,554)	220,000	220,000
Other Obligations					
Compensated absences	454,711	74,642	(49,587)	479,766	82,659
Capital lease	-	211,451	(55,848)	155,603	49,951
Subtotal other obligations	454,711	286,093	(105,435)	635,369	132,610
Net Pension Liability					
STRS	15,961,275	-	(5,226,892)	10,734,383	-
SERS	3,190,635	-	(651,820)	2,538,815	-
Subtotal net pension liability	19,151,910	-	(5,878,712)	13,273,198	-
Net OPEB Liability					
STRS	2,550,153	-	(787,104)	1,763,049	-
SERS	1,256,443	-	(105,632)	1,150,811	-
Subtotal net OPEB liability	3,806,596	-	(892,736)	2,913,860	-
Total general long-term obligations	$ 23,848,771	$ 286,093	$ (7,092,437)	$ 17,042,427	$ 352,610

School Improvement General Obligation Bonds - On September 23, 1993, the School District issued $4,500,000 in voted general obligation bonds for building improvements. The bonds were issued for a twenty-five year period, with final maturity on December 1, 2018. On April 29, 2011, the School District refunded these bonds with lower borrowing rates under then-current market conditions, resulting in a cash flow savings over the remaining life of the bonds. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the general fund.

There is not a repayment schedule for the net pension liability and net OPEB liability; however the School District pays pension and OPEB obligations related to employee compensation from the fund benefitting from their service.

The School District's overall debt margin was $17,434,572 with an unvoted debt margin of $196,162 at June 30, 2018.

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

	School Improvement Bonds	
Fiscal Year	Principal	Interest
2019	$ 220,000	$ 3,575

Note 13 - Capital Leases - Lessee Disclosure

During the fiscal year, the School District entered into a capital lease agreement for the acquisition of computers. The terms of each agreement provide options to purchase the equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements of governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Principal payments in the current fiscal year totaled $55,848.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

Fiscal Year	Lease Payments
2019	$ 55,848
2020	55,848
2021	55,848
Total minimum lease payments	167,544
Less: amount representing interest	(11,941)
Total	$ 155,603

Note 14 – Statutory Reserves

The School District is required by the state law to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. The School District may replace using general fund revenues with proceeds from various sources (offsets), such as bond or levy proceeds related to the acquisition, replacement, enhancement, maintenance or repair of permanent improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

Although the School District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

The following information describes the change in the year-end set-aside amounts for capital maintenance.

	Capital Maintenance Reserve
Set-aside cash balance as of June 30, 2017	$ -
Current year set-aside requirement	217,616
Current year offset	(215,000)
Qualifying disbursements	(78,786)
Total	$ (76,170)
Balance carried forward to future years	$ -

Note 15- Interfund Transfers

Interfund balances at June 30, 2018 consisted of the following:

Due to general fund from:	
Nonmajor governmental funds	$ 41,322

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2018, all interfund loans outstanding are anticipated to be repaid in fiscal year 2019.

During fiscal year 2018, the general fund made transfers to other governmental funds in the amount of $11,395 to subsidize programs in other funds.

Note 16 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowments, in the amount of $10,000 represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is $76,825 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 17 - Pleasant Community Academy

A. Basis of Presentation

Pleasant Community Academy is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. Pleasant Community Academy uses the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

As of June 30, the carrying amount of the PCA's deposits was $1,200,821. The PCA's entire bank balance was not exposed to custodial credit risk.

C. Capital Assets

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

	Balance 7/1/2017	Additions	Disposals	Balance 6/30/2018
Capital assets, being depreciated:				
Equipment	$ 295,956	$ 6,188	$ -	$ 302,144
Vehicles	89,956	-	-	89,956
Total capital assets, being depreciated	385,912	6,188	-	392,100
Less: Accumulated depreciation				
Equipment	(254,216)	(16,617)	-	(270,833)
Vehicles	(9,745)	(8,996)	-	(18,741)
Total accumulated depreciation	(263,961)	(25,613)	-	(289,574)
Total capital assets being depreciated, net	$ 121,951	$ (19,425)	$ -	$ 102,526

D. Related Party Transactions

During the fiscal year, payments made by the PCA to Pleasant Local School District were $738,397. These represent payments of $418,891 for kindergarten instructional services, $151,506 for other support services and $168,000 for rent provided by Pleasant Local School District to the PCA.

Note 18 - Jointly Governed Organizations

A. META Solutions

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of META consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School.

During fiscal year 2018, the School District paid $37,439 to META for various services. Financial information can be obtained from the META Solutions, 100 Executive Drive, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the nine participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Knox County Educational Service Center, 308 Martinsburg Road, Mt. Vernon, Ohio 43050.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

Note 19 - Contingencies

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The School District is not involved in any litigation at this time.

C. School District Foundation Adjustments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As a result of the fiscal year 2018 reviews, the School District is due $30,032 from the ODE. This amount has not been included in the financial statements.

Note 20 – Accountability

As of June 30, 2018, one fund had a deficit fund balance. This deficit was caused by the application of GAAP. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following fund had a deficit balance:

Fund	Amount
Nonmajor governmental funds:	
IDEA, Part B special education	$ 4,224

Note 21 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits other than Pensions.” GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net position June 30, 2017	($6,139,671)
Adjustments:	
Net OPEB liability	(3,806,596)
Deferred outflow - payments subsequent to measurement date	22,266
Restated net position June 30, 2017	($9,924,001)

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

Note 22 – Subsequent event

During the November 6 , 2018 election, the voters approved 1) the issuance of a bond for the purpose of constructing school facilities and renovating and improving classroom facilities, under the Classroom Facilities Assistance Program of the Ohio Facilities Construction Commission; furnishing and equipping the same; and improving the sites thereof; in the principal amount of $34,375,000 and levy a property tax outside the ten-mill limitation, estimated by the county auditor to average over the bond repayment period 9.5 mills for each one dollar of tax valuation, and b) the levy of an additional tax to provide funds for the acquisition, construction, enlargement, renovation, and financing or permanent improvements at a rate not exceeding .5 mills

Required Supplementary Information

Pleasant Local School District

Required Supplementary Information

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

Last Five Fiscal Years (1)

	2018	2017	2016	2015
School Employees Retirement System (SERS) of Ohio				
School District's proportion of the net pension liability	0.042492%	0.043593%	0.041008%	0.042582%
School District's proportionate share of the net pension liability	$ 2,538,815	$ 3,190,635	$ 2,339,945	$ 2,155,051
School District's covered employee payroll	$ 1,500,479	$ 1,291,143	$ 1,250,129	$ 1,215,678
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	169.20%	247.12%	187.18%	177.27%
Plan fiduciary net position as a percentage of total pension liability	69.50%	62.98%	69.16%	71.70%

	2018	2017	2016	2015
State Teachers Retirement System (STRS) of Ohio				
School District's proportion of the net pension liability	0.0451875%	0.0476840%	0.0480699%	0.0496795%
School District's proportionate share of the net pension liability	$ 10,734,383	$ 15,961,275	$ 13,285,125	$ 12,083,779
School District's covered employee payroll	$ 4,961,721	$ 5,002,593	$ 5,030,736	$ 5,105,723
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	216.34%	319.06%	264.08%	236.67%
Plan fiduciary net position as a percentage of total pension liability	75.30%	66.80%	72.10%	74.70%

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

2014
0.042582%
$ 2,532,215
$ 1,222,355
207.16%
65.52%

2014
0.0496795%
$ 14,394,118
$ 5,435,254
264.83%
69.30%

Pleasant Local School District

Required Supplementary Information
Schedule of School District Contributions - Pension
Last Six Fiscal Years (1)

School Employees Retirement System (SERS) of Ohio	2018	2017	2016	2015	2014
Contractually required contribution	$ 181,084	$ 210,067	$ 180,760	$ 164,767	$ 168,493
Contributions in relation to contractually required contribution	(181,084)	(210,067)	(180,760)	(164,767)	(168,493)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 1,341,363	$ 1,500,479	$ 1,291,143	$ 1,250,129	$ 1,215,678
Contributions as a percentage of covered employee payroll	13.50%	14.00%	14.00%	13.18%	13.86%

State Teachers Retirement System (STRS) of Ohio	2018	2017	2016	2015	2014
Contractually required contribution	$ 717,175	$ 694,641	$ 700,363	$ 704,303	$ 663,744
Contributions in relation to contractually required contribution	(717,175)	(694,641)	(700,363)	(704,303)	(663,744)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 5,122,679	$ 4,961,721	$ 5,002,593	$ 5,030,736	$ 5,105,723
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%

(1) Information prior to 2013 is not available.

2013
$ 169,174
(169,174)
$ -
$ 1,222,355
13.84%

2013
$ 706,583
(706,583)
$ -
$ 5,435,254
13.00%

Pleasant Local School District

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Fiscal Years (1)

	2018	2017
School Employees Retirement System (SERS) of Ohio		
School District's proportion of the net OPEB liability	0.042881%	0.044080%
School District's proportionate share of the net OPEB liability	$ 1,150,811	$ 1,256,443
School District's covered employee payroll	$ 1,500,479	$ 1,291,143
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	76.70%	97.31%
Plan fiduciary net position as a percentage of total OPEB liability	12.46%	11.49%

	2018	2017
State Teachers Retirement System (STRS) of Ohio		
School District's proportion of the net OPEB liability	0.0451875%	0.0476840%
School District's proportionate share of the net OPEB liability	$ 1,763,049	$ 2,550,153
School District's covered employee payroll	$ 4,961,721	$ 5,002,593
School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	35.53%	50.98%
Plan fiduciary net position as a percentage of total OPEB liability	47.10%	37.30%

(1) Ten years of information will be presented as information becomes available. Information prior to 2017 is not available.
The amounts presented are as of the School District's measurement date which is the prior fiscal year end.

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Pleasant Local School District

Required Supplementary Information

Schedule of School District Contributions - OPEB

Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014
School Employees Retirement System (SERS) of Ohio					
Contractually required contribution (2)	$ 29,720	$ 22,266	$ 21,888	$ 33,218	$ 23,792
Contributions in relation to contractually required contribution	(29,720)	(22,266)	(21,888)	(33,218)	(23,792)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 1,341,363	$ 1,500,479	$ 1,291,143	$ 1,250,129	$ 1,215,678
Contributions as a percentage of covered employee payroll	2.22%	1.48%	1.70%	2.66%	1.96%

	2018	2017	2016	2015	2014
State Teachers Retirement System (STRS) of Ohio					
Contractually required contribution	$ -	$ -	$ -	$ -	$ 50,599
Contributions in relation to contractually required contribution	-	-	-	-	(50,599)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District covered employee payroll	$ 5,122,679	$ 4,961,721	$ 5,002,593	$ 5,030,736	$ 5,105,723
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	1.00%

(1) Information prior to 2013 is not available.

2013
$ 24,576
(24,576)
$ -
$ 1,222,355
2.01%

2013
$ 52,500
(52,500)
$ -
$ 5,435,254
0.97%

Net Pension Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financials for benefit terms.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financials for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

Net OPEB Liability

School Employees Retirement System (SERS) of Ohio

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

State Teachers Retirement System (STRS) of Ohio

Changes in benefit terms: There was a change in benefit terms for fiscal year 2018. See the notes to the basic financials for benefit terms.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018. See the notes to the basic financials for the methods and assumptions in this calculation.

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

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

FEDERAL GRANTOR *Passed Through Grantor* Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the Ohio Department of Education		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	$ 32,368
Cash Assistance:		
School Breakfast Program	10.553	51,507
National School Lunch Program	10.555	212,994
Total Child Nutrition Cluster		296,869
TOTAL U.S. DEPARTMENT OF AGRICULTURE		**296,869**
U.S. DEPARTMENT OF EDUCATION		
Passed through the Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	141,409
Special Education Cluster		
Special Education - Grants to States	84.027	205,086
Twenty-First Century Community Learning Centers	84.287	309,251
Supporting Effective Instruction State Grants	84.367	26,119
Student Support and Academic Enrichment Program	84.424	1,542
TOTAL U.S. DEPARTMENT OF EDUCATION		**683,407**
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$ 980,276**

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The School District transferred the following amounts from 2018 to 2019 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	$11,749
Special Education - Grants to States	84.027	16,332
Supporting Effective Instruction State Grants	84.367	14,163
Student Support and Academic Enrichment Program	84.424	8,458

OHIO AUDITOR OF STATE
KEITH FABER

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

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Pleasant Local School District, Marion County, (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 12, 2019, wherein we noted the School District adopted Governmental Accounting Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2019

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

Pleasant Local School District
Marion County
1107 Owens Road West
Marion, Ohio 43302

To the Board of Education:

Report on Compliance for the Major Federal Program

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

The School District's basic financial statements include the operations of Pleasant Community Academy, which expended $30,918 in federal awards which is not included in the School District's Schedule of Expenditures of Federal Awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of Pleasant Community Academy because the component unit is legally separate from the primary government which this report addresses, and because it expended less than $750,000 of Federal awards for the year ended June 30, 2018, it was not subject to Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in finding 2018-001 in the accompanying schedule of findings, the School District did not comply with requirements regarding equipment and real property management applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Pleasant Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2018-001 and 2018-002.

The School District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Keith Faber
Auditor of State

Columbus, Ohio

March 12, 2019

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PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2018-001		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Equipment & Real Property Management		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	Yes	**Finding Number (if repeat)**	2017-001

Noncompliance and Material Weakness

2 C.F.R. §400.1 gives regulatory effect to the Department of Agriculture for **2 C.F.R. §200.313(d)** which provides that procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
(4) Adequate maintenance procedures must be developed to keep the property in good condition.
(5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

Furthermore, the School District's Asset Acquisition, Transfer, and Disposal Policy (#7455) provides that annually, the Treasurer shall prepare a master list of all entity assets, a report of assets purchased, and a report of assets disposed of or transferred. Each principal/supervisor shall receive that portion of each report that relates to that building or department. It is the responsibility of the principal/supervisor to review and compare the reports to the fixed assets maintained in his/her area of responsibility. Any discrepancies are to be reported to the Treasurer and/or building principal for resolution.

As of June 30, 2018, the School District had not performed a physical inventory of capital assets within the prior three fiscal years. Additionally, the School District's capital asset listing does not indicate the percentage of Federal participation in the project costs for the Federal award under which the property was acquired. Finally, 1 out of the 4 Food Service fund assets tested from the School District's asset listing was improperly coded as a Food Service asset.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2018-001 (Continued)

Noncompliance and Material Weakness (Continued)

Failure to maintain appropriate capital asset records and have adequate internal controls over capital assets may result in the loss, misappropriation, theft, or diversion of assets and noncompliance with federal award requirements and Board policy.

We recommend the School District review their capital asset listing to ensure compliance with federal award requirements and Board policy. We further recommend the School District perform the required physical inventory.

Officials' Response
See Corrective Action Plan

Finding Number	2018-002		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555		
Federal Award Identification Number / Year	2018		
Federal Agency	U.S. Department of Agriculture		
Compliance Requirement	Eligibility		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	**Finding Number (if repeat)**	N/A

Material Weakness

The School District participates in the National School Lunch and School Breakfast programs, for which the Federal Government reimburses the School District for eligible children. During the course of the school year, the School District is required to establish a child's eligibility to receive program benefits. The School District determines eligibility based on several factors, including, but not limited to family size and income. The School District's eligibility process includes the Cafeteria Supervisor reviewing and signing each application submitted, which documents the family's eligibility status for paid, reduced, or free meals.

During fiscal year 2018, the Cafeteria Supervisor did not sign one out of sixteen (6.25%) applications tested.

Failure to properly review the application could result in ineligible students receiving benefits.

PLEASANT LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2018-002 (Continued)

Material Weakness (Continued)

We recommend the Cafeteria Supervisor sign all applications, indicating review and eligibility status.

Officials' Response
See Corrective Action Plan

PLEASANT LOCAL SCHOOLS

1107 Owens Road West
Marion, Ohio 43302
Phone: 740/389-4476   Fax: 740/389-6985

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The District will attempt to perform a physical inventory of capital assets within the 2019 fiscal year. A list will be created indicating the percentage of Federal participation of the costs of the assets.	06/30/2019	Jolene Carter
2018-002	All applications will be properly reviewed and signed.	06/30/2019	Lori Kramp

PLEASANT LOCAL SCHOOLS

1107 Owens Road West
Marion, Ohio 43302
Phone: 740/389-4476 Fax: 740/389-6985

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	2 C.F.R. § 200.313(d) – Equipment & Real Property Management	Not Corrected and Repeated as Finding 2018-001	Recurrence due to the timing of the FY17 audit. Refer to the Corrective Action Plan related to Finding 2018-002 for planned corrective action
2017-002	7 C.F.R. § 210.14(e) – Special Tests & Provisions –Paid Lunch Equity	Corrective Action Taken and Finding is Fully Corrected	

OHIO AUDITOR OF STATE
KEITH FABER

PLEASANT LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 28, 2019