



Certified Public Accountants, A.C.

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
Single Audit  
For the Year Ended June 30, 2019**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., #300  
Wheeling, WV 26003  
304 232 1358

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Cambridge, OH 43725  
740 435 3417



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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Board of Education  
Lockland Local School District  
210 North Cooper Avenue  
Lockland, OH 45215

We have reviewed the *Independent Auditor's Report* of Lockland Local School District, Hamilton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

January 24, 2020

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**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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Certified Public Accountants, A.C.

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## INDEPENDENT AUDITOR'S REPORT

December 10, 2019

Lockland Local School District  
Hamilton County  
210 North Cooper Avenue  
Lockland, Ohio 45215

To the Board of Education:

### *Report on the Financial Statements*

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Lockland Local School District**, Hamilton County, Ohio (the School District), as of and for the year ended June 30, 2019, 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 the modified cash accounting basis Note 1D describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lockland Local School District, Hamilton County, Ohio, as of June 30, 2019 and the respective changes in modified cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 1D.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1D of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental Information***

We audited to opine on the financial statements taken as a whole.

The budgetary comparison schedule provides budgetary information for the General Fund. This information provides additional analysis and is not a required part of the financial statements.

The Schedule of Federal Awards Receipts and Expenditures 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.

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

***Other Information***

We applied no procedures to Management's Discussion & Analysis. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

# **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Lockland 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, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2019 are as follows:

- For governmental activities, net position increased by \$1,266,703, which represents a 26% increase from 2018.
- General receipts accounted for \$8.1 million or 83% of all governmental receipts. Program specific receipts in the form of charges for services and sales, and operating and capital grants and contributions accounted for \$1.6 million or 17% of total governmental receipts of \$9.7 million.
- The School District had \$8.5 million in disbursements related to governmental activities; only \$1.6 million of these disbursements were offset by program specific charges for services and sales, and operating and capital grants and contributions. General receipts (primarily taxes and unrestricted grants and entitlements) of \$8.1 million provided resources for these programs sufficient to cover the program costs.
- The School District's major fund was the general fund. All governmental funds had total receipts of \$9.7 million and disbursements of \$8.5 million. The net change in fund balance for the year was most significant in the general fund, where the general fund's balance increased by \$1.2 million.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

### **Report Components**

The Statement of Net Position and Statement of Activities provide information about the cash activities of the School District as a whole. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited*

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## **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

## **Reporting the School District as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the School District performed financially during fiscal year 2019, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, the reader can utilize these statements as one measure of the School District's financial condition. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial condition is improving or deteriorating. When evaluating the School District's financial condition, the reader should also consider other nonfinancial factors as well, such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities.

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

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

**Governmental funds.** All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting. 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

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**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. All of the School District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position – Modified Cash Basis.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### A. Net position at year-end

The following table presents a condensed summary of the School District's net position of governmental activities at June 30, 2019 and 2018:

|                           | <u>2019</u>         | <u>2018</u>         |
|---------------------------|---------------------|---------------------|
| <b>Assets:</b>            |                     |                     |
| Cash and investments      | <u>\$ 6,107,383</u> | <u>\$ 4,840,680</u> |
| <i>Total Assets</i>       | <u>\$ 6,107,383</u> | <u>\$ 4,840,680</u> |
| <b>Net Position:</b>      |                     |                     |
| Restricted                | \$ 702,632          | \$ 593,164          |
| Unrestricted              | <u>5,404,751</u>    | <u>4,247,516</u>    |
| <i>Total Net Position</i> | <u>\$ 6,107,383</u> | <u>\$ 4,840,680</u> |

The restricted net position includes amounts restricted for capital projects, debt service and other purposes. These amounts are held to be used for specific purposes. The balance of unrestricted net position (\$5,404,751) may be used to meet the government's ongoing obligations to citizens and creditors.

Cash and investments increased by \$1,266,703 primarily due to continued positive operating results, with receipts and disbursements remaining fairly flat during the fiscal year.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited*

The table below shows the net changes in governmental activities net position for fiscal year 2019 compared to 2018.

|   | <u>2019</u>         | <u>2018</u>         | Increase<br>(Decrease) |
|---|---------------------|---------------------|------------------------|
| <b>Receipts:</b>  |                     |                     |                        |
| Program Receipts:   |                     |                     |                        |
| Charges for services and sales                            | \$ 608,000          | \$ 507,811          | \$ 100,189             |
| Operating grants and contributions                        | 1,020,205           | 977,706             | 42,499                 |
| Capital grants and contributions                          | <u>5,400</u>        | <u>5,400</u>        | <u>-</u>               |
| <i>Total Program Receipts</i>                             | 1,633,605           | 1,490,917           | 142,688                |
| General Receipts:   |                     |                     |                        |
| Property taxes  | 2,444,918           | 2,671,919           | (227,001)              |
| Grants and entitlements                                   | 5,303,676           | 5,254,864           | 48,812                 |
| Payments in lieu of taxes                                 | -                   | 44,021              | (44,021)               |
| Investment earnings                                       | 136,883             | 51,848              | 85,035                 |
| Miscellaneous   | <u>225,725</u>      | <u>158,489</u>      | <u>67,236</u>          |
| <i>Total General Receipts</i>                             | <u>8,111,202</u>    | <u>8,181,141</u>    | <u>(69,939)</u>        |
| <i>Total Receipts</i>                                     | <u>9,744,807</u>    | <u>9,672,058</u>    | <u>72,749</u>          |
| <b>Disbursements:</b>                                     |                     |                     |                        |
| Instruction   | 4,854,789           | 4,766,845           | 87,944                 |
| Support services:   |                     |                     |                        |
| Pupils and instructional staff                            | 1,362,534           | 915,107             | 447,427                |
| Board of Education, administration<br>fiscal and business | 1,046,403           | 1,135,097           | (88,694)               |
| Operation and maintenance of plant                        | 740,820             | 933,576             | (192,756)              |
| Pupil transportation                                      | 111,895             | 85,508              | 26,387                 |
| Central   | 169,584             | 146,176             | 23,408                 |
| Non-instructional services                                | 186,355             | 171,744             | 14,611                 |
| Food services   | <u>5,724</u>        | <u>279,199</u>      | <u>(273,475)</u>       |
| <i>Total Disbursements</i>                                | <u>8,478,104</u>    | <u>8,433,252</u>    | <u>44,852</u>          |
| <i>Changes in Net Position</i>                            | 1,266,703           | 1,238,806           | \$ 27,897              |
| <i>Beginning Net Position</i>                             | <u>4,840,680</u>    | <u>3,601,874</u>    |                        |
| <i>Ending Net Position</i>                                | <u>\$ 6,107,383</u> | <u>\$ 4,840,680</u> |                        |

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited*

Of the total governmental activities receipts of \$9,744,807, \$1,633,605 (17%) is from program receipts. This means that the government relies on general receipts to fund the majority of the cost of services provided to the citizens. Of those general receipts, 30% (\$2,444,918) comes from property tax levies and 65% (\$5,303,676) is from state funding. The School District's operations are reliant upon its property tax levy and state's foundation program.

### *Governmental Activities*

The School District's governmental activities net position increased by \$1,266,703. Both total receipts and disbursements increased by less than 1% during the fiscal year. Under receipts, the School District experienced increases in charges for services and sales, due to increased tuition for foster-placed students, investment earnings, due to higher interest rates, and miscellaneous, due to increases in Medicaid reimbursements. These increases were offset by decreases in property taxes, due to receipt of delinquent payments in fiscal year 2018 and no payments in lieu of taxes due from the Village of Lockland during fiscal year 2019.

For disbursements, the School District experienced increases in pupil and instructional staff disbursements, due to the hiring of a Special Programs Director and leasing of Chromebooks for all students. The increases were offset due to several staff resignations, lower repair costs and outsourcing the food service program to Kings Local Schools.

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the receipts generated by each function. \$1,633,605 of the cost of the School District's programs was recouped in program receipts. Instruction costs were \$4,854,789, but program receipts contributed to fund only 25% of these costs. Thus, general receipts of \$3,618,824 were used to support the remainder of the instruction costs.

|   | 2019                     |                        | 2018                     |                        |
|---|--------------------------|------------------------|--------------------------|------------------------|
|   | Total Cost<br>of Service | Net Cost<br>of Service | Total Cost<br>of Service | Net Cost<br>of Service |
| <b>Disbursements:</b>                                     |                          |                        |                          |                        |
| Instruction   | \$ 4,854,789             | \$ 3,618,824           | \$4,766,845              | \$3,643,035            |
| Support services:   |                          |                        |                          |                        |
| Pupils and instructional staff                            | 1,362,534                | 1,003,372              | 915,107                  | 808,189                |
| Board of Education, administration<br>fiscal and business | 1,046,403                | 1,046,403              | 1,135,097                | 1,135,097              |
| Operation and maintenance of plant                        | 740,820                  | 740,820                | 933,576                  | 933,576                |
| Pupil transportation                                      | 111,895                  | 111,895                | 85,508                   | 85,508                 |
| Central   | 169,584                  | 169,584                | 146,176                  | 146,176                |
| Non-instructional services                                | 186,355                  | 172,026                | 171,744                  | 154,585                |
| Food services   | 5,724                    | (18,425)               | 279,199                  | 36,169                 |
| <i>Total Disbursements</i>                                | <u>\$ 8,478,104</u>      | <u>\$ 6,844,499</u>    | <u>\$ 8,433,252</u>      | <u>\$6,942,335</u>     |

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited

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## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

### Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$5,314,019 (87%) of the total \$6,107,383 governmental fund assets.

**General Fund:** Fund balance at June 30, 2019 was \$5,314,019, an increase of \$1,157,235. The reasons for the changes were previously discussed under governmental activities.

|                            | 2019                | 2018                | Increase<br>(Decrease) |
|----------------------------|---------------------|---------------------|------------------------|
| Receipts                   | \$ 8,702,595        | \$ 8,672,402        | \$ 30,193              |
| Disbursements              | (7,299,975)         | (7,254,293)         | 45,682                 |
| Other financing uses       | (245,385)           | (218,349)           | 27,036                 |
| Net change in fund balance | <u>\$ 1,157,235</u> | <u>\$ 1,199,760</u> | <u>\$ (42,525)</u>     |

### 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.

For the General Fund, final budget basis receipts were \$8.7 million, a 7% increase from the original estimate of \$8.1 million, primarily due to higher tuition payments for foster-placed student, better than expected investment returns, and higher than anticipated Medicaid reimbursements. Final budgeted disbursements and other financing uses were \$7.5 million, a decrease from the original estimate of \$9.5 million. The decrease was primarily due to initial conservative estimates, lower than anticipated repair costs, and less transfers needed to subsidize other funds. Actual transfers out were just slightly higher from the prior year.

### Capital Assets and Debt Administration

#### Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

#### Debt

Under the modified cash basis of accounting, the School District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, the School District did not have any debt outstanding as of June 30, 2019.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2019  
Unaudited*

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### **Current Financial Related Activities**

The School District had approximately \$5.4 million in unrestricted net position on the modified cash basis as of June 30, 2019. As the preceding information shows, the School District heavily depends on its property taxpayers. However, financially the future is not without challenges.

With the phase out of the tax on Tangible Personal Property (TPP) (HB66, 2005) fully completed in 2011, the School District was fully reliant on the phased-in state reimbursement to replace the lost revenue. In 2010, following legislative action, a School District's reliance on TPP reimbursement had to exceed 2% of selected revenue by 2013 in order to continue to receive the TPP reimbursement. After 2013, if the reliance exceeds 2% of selected revenues, the reimbursement is frozen until further action by the State legislature. The School District's TPP reimbursement is currently frozen; however, with the previous biennium budget, replacement revenue will continue to be phased out. The School District is still receiving TPP Reimbursements; however, Senate Bill No. 208 states that in fiscal year 2018 and beyond, this reimbursement will decrease by 5/8ths of a mill. In other words, fiscal year 2018 and beyond will show a reduction of Tangible Personal Property Reimbursement equivalent to 5/8ths of a current mill.

When the new administration began in fiscal year 2014, the first order of business was to study the spending patterns from the previous five years. We immediately came to the conclusion that a more fiscally responsible approach was needed in order to survive the next five years. We reduced expenditures across the School District and utilized old dormant funds. This in turn put less pressure on the General Fund. In addition, we have reduced the staff and closed the Arlington Heights Academy. In fiscal year 2020, we will continue to reduce expenditures; for, no school district should rely on all aspects of current funding to continue.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer at Lockland Local School District, 210 N. Cooper Avenue, Lockland, Ohio 45215.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Net Position - Modified Cash Basis

June 30, 2019

|                                       | <u>Governmental<br/>Activities</u> |
|---------------------------------------|------------------------------------|
| <b>Assets:</b>                        |                                    |
| Equity in pooled cash and investments | <u>\$ 6,107,383</u>                |
| <b>Net Position:</b>                  |                                    |
| Restricted for:                       |                                    |
| Capital projects                      | 19,342                             |
| Debt service                          | 299,033                            |
| Other purposes                        | 384,257                            |
| Unrestricted                          | <u>5,404,751</u>                   |
| <b>Total net position</b>             | <u>\$ 6,107,383</u>                |

See accompanying notes.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Statement of Activities - Modified Cash Basis

Fiscal Year Ended June 30, 2019

|   | Cash Disbursements  | Program Cash Receipts          |                                    |                                  | Net (Disbursements) Receipts and Changes in Net Position |
|---|---------------------|--------------------------------|------------------------------------|----------------------------------|--|
|   |                     | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                                  |
| <b>Governmental Activities:</b>                             |                     |                                |                                    |                                  |  |
| Instruction:  |                     |                                |                                    |                                  |  |
| Regular   | \$ 3,277,343        | \$ 593,739                     | \$ 42,737                          | \$ 5,400                         | \$ (2,635,467)   |
| Special   | 1,527,661           | -                              | 594,089                            | -                                | (933,572)  |
| Other instruction   | 49,785              | -                              | -                                  | -                                | (49,785)   |
| Support services:   |                     |                                |                                    |                                  |  |
| Pupil   | 742,165             | -                              | 226,511                            | -                                | (515,654)  |
| Instructional staff   | 620,369             | -                              | 132,651                            | -                                | (487,718)  |
| Board of Education  | 143,346             | -                              | -                                  | -                                | (143,346)  |
| Administration  | 525,901             | -                              | -                                  | -                                | (525,901)  |
| Fiscal  | 372,743             | -                              | -                                  | -                                | (372,743)  |
| Business  | 4,413               | -                              | -                                  | -                                | (4,413)  |
| Operation and maintenance of plant                          | 740,820             | -                              | -                                  | -                                | (740,820)  |
| Pupil transportation  | 111,895             | -                              | -                                  | -                                | (111,895)  |
| Central   | 169,584             | -                              | -                                  | -                                | (169,584)  |
| Non-instructional services:                                 |                     |                                |                                    |                                  |  |
| Extracurricular activities                                  | 186,234             | 14,214                         | -                                  | -                                | (172,020)  |
| Community service   | 121                 | -                              | 115                                | -                                | (6)  |
| Food service  | 5,724               | 47                             | 24,102                             | -                                | 18,425   |
|   | <u>\$ 8,478,104</u> | <u>\$ 608,000</u>              | <u>\$ 1,020,205</u>                | <u>\$ 5,400</u>                  | <u>(6,844,499)</u>                                       |
| <b>General Receipts:</b>                                    |                     |                                |                                    |                                  |  |
| Property taxes, levied for general purposes                 |                     |                                |                                    |                                  | 2,444,918  |
| Grants and entitlements not restricted to specific programs |                     |                                |                                    |                                  | 5,303,676  |
| Investment earnings   |                     |                                |                                    |                                  | 136,883  |
| Miscellaneous   |                     |                                |                                    |                                  | 225,725  |
| Total general receipts                                      |                     |                                |                                    |                                  | <u>8,111,202</u>   |
| Change in net position                                      |                     |                                |                                    |                                  | 1,266,703  |
| Net position beginning of year                              |                     |                                |                                    |                                  | <u>4,840,680</u>   |
| Net position end of year                                    |                     |                                |                                    |                                  | <u>\$ 6,107,383</u>                                      |

See accompanying notes.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Assets and Fund Balances - Modified Cash Basis

Governmental Funds

June 30, 2019

|                                       | <u>General</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------|---------------------|---|---|
| <b>Assets:</b>                        |                     |   |   |
| Equity in pooled cash and investments | <u>\$ 5,314,019</u> | <u>\$ 793,364</u>                       | <u>\$ 6,107,383</u>                     |
| <b>Fund Balances:</b>                 |                     |   |   |
| Restricted                            | -                   | 702,632                                 | 702,632                                 |
| Assigned                              | 12,528              | 90,732                                  | 103,260                                 |
| Unassigned                            | <u>5,301,491</u>    | <u>-</u>                                | <u>5,301,491</u>                        |
| <b>Total fund balances</b>            | <u>\$ 5,314,019</u> | <u>\$ 793,364</u>                       | <u>\$ 6,107,383</u>                     |

See accompanying notes.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Receipts, Disbursements and Changes in Fund Balance - Modified Cash Basis

Governmental Funds

Fiscal Year Ended June 30, 2019

|   | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>   |                     |                                |                                |
| Property taxes  | \$ 2,444,918        | \$ -                           | \$ 2,444,918                   |
| Tuition and fees  | 593,739             | -                              | 593,739                        |
| Interest  | 136,584             | 299                            | 136,883                        |
| Charges for services  | 904                 | 13,357                         | 14,261                         |
| Intergovernmental   | 5,303,676           | 1,025,605                      | 6,329,281                      |
| Miscellaneous   | 222,774             | 2,951                          | 225,725                        |
| Total receipts  | <u>8,702,595</u>    | <u>1,042,212</u>               | <u>9,744,807</u>               |
| <b>Disbursements</b>  |                     |                                |                                |
| Current:  |                     |                                |                                |
| Instruction:  |                     |                                |                                |
| Regular   | 3,232,071           | 45,272                         | 3,277,343                      |
| Special   | 931,035             | 596,626                        | 1,527,661                      |
| Other   | 49,785              | -                              | 49,785                         |
| Support services:   |                     |                                |                                |
| Pupil   | 498,190             | 243,975                        | 742,165                        |
| Instructional staff   | 486,268             | 134,101                        | 620,369                        |
| Board of Education  | 142,846             | 500                            | 143,346                        |
| Administration  | 525,701             | 200                            | 525,901                        |
| Fiscal  | 372,743             | -                              | 372,743                        |
| Business  | 4,413               | -                              | 4,413                          |
| Operation and maintenance of plant                            | 740,820             | -                              | 740,820                        |
| Pupil transportation  | 111,895             | -                              | 111,895                        |
| Central   | 169,584             | -                              | 169,584                        |
| Non-instructional services:                                   |                     |                                |                                |
| Extracurricular activities                                    | 34,624              | 151,610                        | 186,234                        |
| Community service   | -                   | 121                            | 121                            |
| Food service  | -                   | 5,724                          | 5,724                          |
| Total disbursements   | <u>7,299,975</u>    | <u>1,178,129</u>               | <u>8,478,104</u>               |
| Excess (deficiency) of receipts<br>over (under) disbursements | <u>1,402,620</u>    | <u>(135,917)</u>               | <u>1,266,703</u>               |
| <b>Other Financing Sources (Uses):</b>                        |                     |                                |                                |
| Transfers in  | -                   | 245,385                        | 245,385                        |
| Transfers out   | (245,385)           | -                              | (245,385)                      |
| Total other financing sources (uses)                          | <u>(245,385)</u>    | <u>245,385</u>                 | <u>-</u>                       |
| Net change in fund balance                                    | 1,157,235           | 109,468                        | 1,266,703                      |
| Fund balance, beginning of year                               | 4,156,784           | 683,896                        | 4,840,680                      |
| Fund balance, end of year                                     | <u>\$ 5,314,019</u> | <u>\$ 793,364</u>              | <u>\$ 6,107,383</u>            |

See accompanying notes.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Statement of Fiduciary Net Position - Modified Cash Basis

Fiduciary Funds

June 30, 2019

|                                       | <u>Agency<br/>Funds</u> |
|---------------------------------------|-------------------------|
| <b>ASSETS</b>                         |                         |
| Equity in pooled cash and investments | \$ <u>28,144</u>        |
| Total assets                          | <u><u>28,144</u></u>    |
| <br>                                  |                         |
| <b>NET POSITION</b>                   |                         |
| Held for students                     | <u>28,144</u>           |
| Total net position                    | \$ <u><u>28,144</u></u> |

See accompanying notes.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

## Notes to the Basic Financial Statements

Year Ended June 30, 2019

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lockland Local School District, Ohio (the “School District”) have been prepared on a modified cash basis. The more significant of the School District’s accounting policies are described below:

#### **A. The Reporting Entity**

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities. 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. There are no component units of the School District.

The School District is associated with two organizations that are defined as jointly governed organizations:

**Great Oaks Institute of Technology and Career Development** - The vocational school is a separate body politic and corporate established by the Ohio Revised Code to provide vocational and special education needs of the students. Great Oaks accepts non-tuition students from the School District as a member school; however, it is considered a separate political subdivision and is not considered to be part of the School District. To obtain financial information, write to Great Oaks at 3254 E Kemper Rd. Cincinnati, OH 45241.

**Hamilton Clermont Cooperative (HCC)** – HCC is one of 19 regional information technology centers established by the state of Ohio to provide data and internet services for public and non-public schools in the Greater Cincinnati Metropolitan area. The executive committee is the managerial body responsible for directing and supervising the daily operation of the HCC, setting policy and passing legislation. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each County ESC, one treasurer from each county, the treasurer of Hamilton and Clermont ESC shall serve as non-voting ex officio members. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

### Notes to the Basic Financial Statements

Year Ended June 30, 2019

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#### **B. Basis of Presentation**

The School District uses the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements providing more detailed financial information.

***Government-Wide Financial Statements:*** The statement of net position and statement of activities display information about the School District as a whole, except for fiduciary funds. These statements report governmental activities.

The statement of net position presents the cash and investment balances of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the goods or services and grants and contributions restricted to meeting the operational and capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the School District's general receipts.

***Fund Financial Statements:*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the School District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

#### **C. Fund Accounting**

The School District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into two categories: governmental and fiduciary. Each category is divided into separate fund types.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash disbursements are assigned to the fund from which they are paid. The following is the School District's only major governmental fund:

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

### Notes to the Basic Financial Statements

Year Ended June 30, 2019

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**General Fund** - This fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The fund balance is available to the School District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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. The School District's only fiduciary funds are agency funds.

**Agency Funds** - These funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations or have a measurement focus. In accordance with GASBS No. 34, fiduciary funds are not included in the government-wide statements. The School District's agency funds are used to account for student managed activities.

#### **D. Basis of Accounting**

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

### Notes to the Basic Financial Statements

Year Ended June 30, 2019

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#### *E. Budgets*

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. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2019 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed tax budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year as reported by the Treasurer.

The Certificate may be further amended during the year for projected increases or if the Treasurer identifies decreases in revenue. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2019.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

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

**Year Ended June 30, 2019**

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8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations that reallocated, increased, or decreased the original appropriated amounts. The Board legally enacted one supplemental appropriations measure during fiscal year 2019.
9. Unencumbered appropriations lapse at year-end. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level. Encumbrance accounting is utilized with School District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end are not included as part of cash disbursements, but are recorded as the equivalent of disbursements on a budgetary basis in order to demonstrate legal compliance. The required supplementary information found after the notes to the financial statements provides a reconciliation of the budgetary and modified cash basis of accounting.

#### **F. Equity in Pooled Cash and Investments**

Cash and investments consist of the total of fund cash balances of all funds as of June 30, 2019. To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" in the financial statements.

During fiscal year 2019, investments were limited to negotiable certificates of deposit, a money market fund and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Investments in STAR Ohio are valued at STAR Ohio's net asset value, which is the price the investment could be sold for on June 30, 2019.

The District's money market fund and negotiable certificates of deposit investments are recorded at amounts reported by Fifth Third Bank at June 30, 2019.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The Board of Education allocates investment earnings to various funds in accordance with Ohio statute. Interest receipts for the fiscal year 2019 amounted to \$136,584 in the General Fund and \$299 in Other Governmental Funds.

#### **G. Inventory**

On the modified cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased and are not recorded as assets in the basic financial statements.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2019**

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**H. Capital Assets and Depreciation**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The basic financial statements do not report these assets or the related depreciation.

**I. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

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

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

**K. Long-Term Debt**

These modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments. Additional information regarding legal debt margin can be found in Note 5.

**L. Fund Balances**

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

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

***Committed*** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by 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. The School District did not report any committed fund balances at June 30, 2019.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

The constraints placed on fund balance for the major and all other governmental funds at June 30, 2019 were:

| <u>Fund Balances</u>             | <u>General</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|----------------------------------|---------------------|---|---|
| <b><i>Restricted for:</i></b>    |                     |   |   |
| Food Service Operations          | \$ -                | 20,067                                  | 20,067                                  |
| State Grants                     | -                   | 7,193                                   | 7,193                                   |
| Federal Grants                   | -                   | 48,719                                  | 48,719                                  |
| Other Purposes                   | -                   | 308,278                                 | 308,278                                 |
| Debt Service Payments            | -                   | 299,033                                 | 299,033                                 |
| Capital Improvements             | -                   | 19,342                                  | 19,342                                  |
| <b><i>Total Restricted</i></b>   | <u>-</u>            | <u>702,632</u>                          | <u>702,632</u>                          |
| <b><i>Assigned to:</i></b>       |                     |   |   |
| Other Purposes                   | <u>12,528</u>       | <u>90,732</u>                           | <u>103,260</u>                          |
| <b><i>Unassigned</i></b>         | <u>5,301,491</u>    | <u>-</u>                                | <u>5,301,491</u>                        |
| <b><i>Total Fund Balance</i></b> | <u>\$ 5,314,019</u> | <u>793,364</u>                          | <u>6,107,383</u>                        |

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2019**

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***M. Net Position***

Net position represents the difference between assets and liabilities. On the modified cash basis of accounting, net position equals assets since liabilities are not recorded. The statement reports restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use. Restricted for Other Purposes is comprised of net position restricted for athletic programs, grants and scholarships. The School District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

***N. Interfund Transactions***

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when paid or repaid. Both interfund transfers and advances are eliminated in the statement of activities.

**NOTE 2 - EQUITY IN POOLED CASH 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 the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be invested in the following securities:

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

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

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

**Year Ended June 30, 2019**

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

**A. Deposits**

At fiscal year-end, the carrying amount of the School District’s deposits was \$5,691,684 and the bank balance was \$5,719,408. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was subject to custodial credit risk as it was covered by the Ohio Pooled Collateral System, maintained by the Treasurer of State. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**B. Investments**

At June 30, 2019, the School District’s investment balance was as follows:

| <u>Description</u> | <u>Credit Rating</u> | <u>Maturity</u> | <u>Fair Value</u> | <u>Concentration</u> |
|--------------------|----------------------|-----------------|-------------------|----------------------|
| STAROhio           | AAAm                 | N/A             | \$ 12,804         | 3%                   |
| Money Market       | AAAm                 | N/A             | 30,273            | 7%                   |
| Negotiable CDs     | N/A                  | May 2022        | <u>400,766</u>    | 90%                  |
|                    |                      |                 | <u>\$ 443,843</u> |                      |

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor’s rated the School District’s STAR Ohio investment as AAAm. The money market fund carries a rating of AAAm by Standard and Poor’s. The Board has no policy on credit risk.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the 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 investment policy does not address custodial credit risk.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Education’s formal investment policy states that “Investments held by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the School District.” This policy is intended to mitigate interest rate risk. STAR Ohio maturity dates are varied and short and are not subject to interest rate risk.

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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*Fair Value Measurements.* 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. The School District’s negotiable certificates of deposit were valued using pricing sources as provided by the investment manager (Level 2 inputs). Investments in the money market and STAR Ohio are excluded from fair value measurement requirements under generally accepted accounting principles and instead, are reported at amortized cost which approximates fair value.

**NOTE 3 - INTERFUND TRANSACTIONS**

The General Fund provides advances to the Other Governmental Funds as cash is required and these funds repay such advances as cash is available. There were no advances in fiscal year 2019. The transfers from the General Fund of \$245,385 were to Other Governmental Funds to subsidize those funds.

**NOTE 4 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar-year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against all real, public, and certain tangible (i.e., used in business) property located in the School District.

Real property taxes and public utility taxes are levied after April against the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised value.

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35% of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attach as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

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

|  | <u>2018 Second-<br/>Half Collections</u> |                         | <u>2019 First-<br/>Half Collections</u> |                         |
|--|--|-------------------------|---|-------------------------|
|  | <u>Amount</u>                            | <u>Percent</u>          | <u>Amount</u>                           | <u>Percent</u>          |
| Agricultural/Residential<br>and Other Real Estate<br>Personal Property | \$ 52,481,100<br><u>8,797,350</u>        | 85.64%<br><u>14.36%</u> | \$ 52,693,540<br><u>9,459,140</u>       | 84.78%<br><u>15.22%</u> |
| Total Assessed Value   | <u>\$ 61,278,450</u>                     | <u>100.00%</u>          | <u>\$ 62,152,680</u>                    | <u>100.00%</u>          |
| Tax rate per \$1,000 of<br>assessed valuation                          |  | \$47.09                 |   | \$47.09                 |

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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**NOTE 5 – LEGAL DEBT MARGIN**

The Ohio Revised Code provides that voted net general obligation debt of a school district should never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District. The School District's voted legal debt margin was \$5,593,741 with an unvoted debt margin of \$62,153 at June 30, 2019.

**NOTE 6 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2019, the School District purchased from the Liberty Mutual Insurance Company general liability insurance, which carried a \$1 million per occurrence/\$2 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees. Settled claims have not exceeded these coverage's in any of the past three fiscal years.

**Cincinnati USA Regional Chamber Group Rating Program**

For fiscal year 2019, the School District participated in the Cincinnati USA Regional Chamber Group Rating Program, an incentive-based program to reduce overall costs. The intent of the Group Rating Program is to achieve the benefit of reduced premiums for the School District by virtue of its grouping and representation with other participants in the group. Each participant pays its individual premium for the program year based on the group's performance.

**NOTE 7- DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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 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 has not been reported in the accompanying financial statements, however, information on the net pension liability has been disclosed below.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
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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.

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.

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

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

Age and service requirements for retirement are as follows:

| Benefits                     | Eligible to<br>Retire on or before<br>August 1, 2017*                            | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|--|--|
| Full Benefits                | Age 65 with 5 years of service credit<br>Any age with 30 years of service credit | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit  | Age 62 with 10 years of service credit; or<br>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% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

## LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

### Notes to the Basic Financial Statements

Year Ended June 30, 2019

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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% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.50%. The allocation to the Health Care Fund for the year ended June 30, 2019 was 0.50%.

The School District's contractually required contribution to SERS was approximately \$155,000 for fiscal year 2019.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% 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 5 years of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Eligibility charges 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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

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

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

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$428,000 for fiscal year 2019.

**Net Pension Liability**

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

|  | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------|-------------|--------------|
| Proportionate Share of the Net Pension Liability | \$910,124   | \$5,844,257 | \$6,754,381  |
| Proportion of the Net Pension Liability          | 0.0158913%  | 0.02657960% |              |
| Change in Proportion                             | -0.0060213% | 0.00183030% |              |

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2019**

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*Actuarial Assumptions - SERS*

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

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

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

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

|  |  |
|--|--|
| Wage Inflation                               | 3.00%  |
| Future Salary Increases, including Inflation | 3.50% to 18.20%, including inflation                 |
| COLA or Ad Hoc COLA                          | 2.50%  |
| Investment Rate of Return                    | 7.50% net of investment expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal                                     |

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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 averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

|   | <u>1% Decrease<br/>(6.50%)</u> | <u>Current<br/>Discount Rate<br/>(7.50%)</u> | <u>1% Increase<br/>(8.50%)</u> |
|---|--------------------------------|--|--------------------------------|
| School District's proportionate share<br>of the net pension liability | \$1,281,978                    | \$910,124                                    | \$598,349                      |

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2019**

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*Actuarial Assumptions - STRS*

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50%  |
| Salary Increases          | 12.50% at age 20 to 2.5% at age 65                   |
| Payroll Increases         | 3.00%  |
| COLA or Ad Hoc COLA       | 0%   |
| Investment Rate of Return | 7.45% net of investment expense, including inflation |
| Actuarial Cost Method     | Entry Age Normal                                     |

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

| Asset Class          | Target Allocation | Long Term Expected 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 %          | 6.84 %                                  |

\* 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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

**Sensitivity of the 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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$8,534,768            | \$5,844,257                         | \$3,567,104            |

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS Ohio have an option to choose Social Security or SERS. The School District’s liability is 6.2% of wages paid.

**NOTE 8 – DEFINED BENEFIT POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)**

***Net OPEB Liability/(Asset)***

The net OPEB liability/(asset) 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 pension plan’s fiduciary net position. The net pension liability/(asset) has not been reported in the accompanying financial statements, however, information on the net pension liability/(asset) has been disclosed below.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

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

**Year Ended June 30, 2019**

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability 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.

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

*Health Care Plan Description* - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

## **LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

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

**Year Ended June 30, 2019**

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

*Funding Policy* - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was approximately \$9,600.

The surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was approximately \$15,300 for fiscal year 2019.

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

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

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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*Net OPEB Liability/(Asset)*

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

|  | <u>SERS</u> | <u>STRS</u>  | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net<br>OPEB Liability (Asset) | \$ 447,756  | \$ (427,107) | \$ 20,649    |
| Proportion of the Net OPEB<br>Liability (Asset)          | 0.0161396%  | 0.02657960%  |              |

*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 consider the employee's entire career with the employer and 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.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2019**

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

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

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

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

The target 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 in the following table:

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

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62% as of June 30, 2018 (e.g., 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 the Healthcare Cost Trend Rates** – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

|   | 1% Decrease<br>(2.70%) | Current<br>Discount Rate<br>(3.70%) | 1% Increase<br>(4.70%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$543,317              | \$447,756                           | \$372,090              |

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

|  | 1% Decrease<br>(6.25% decreasing<br>to 3.75%) | Current<br>Trend Rate<br>(7.25% decreasing<br>to 4.75%) | 1% Increase<br>(8.25% decreasing<br>to 5.75%) |
|--|---|---|---|
| School District's proportionate share<br>of the net OPEB liability | \$361,257                                     | \$447,756   | \$562,296                                     |

***Actuarial Assumptions - STRS***

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

|                           |  |          |
|---------------------------|--|----------|
| Salary increases          | 12.50% at age 20 to 2.50% at age 65                    |          |
| Payroll increases         | 3.00%  |          |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |          |
| Discount rate of return   | 7.45%  |          |
| Health care cost trends   | Initial  | Ultimate |
| Medical                   |  |          |
| Pre-Medicare              | 6.00%  | 4.00%    |
| Medicare                  | 5.00%  | 4.00%    |
| Prescription Drug         |  |          |
| Pre-Medicare              | 8.00%  | 4.00%    |
| Medicare                  | -5.23%   | 4.00%    |

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

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

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

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

## Notes to the Basic Financial Statements

Year Ended June 30, 2019

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Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

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

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

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return*</u> |
|----------------------|--------------------------|--|
| Domestic Equity      | 28.00 %                  | 7.35 %   |
| International Equity | 23.00                    | 7.55   |
| Alternatives         | 17.00                    | 7.09   |
| Fixed Income         | 21.00                    | 3.00   |
| Real Estate          | 10.00                    | 6.00   |
| Liquidity Reserves   | <u>1.00</u>              | <u>2.25</u>                                    |
| Total                | <u>100.00 %</u>          | <u>6.84 %</u>                                  |

\* 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' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB (asset) | \$ (366,071)           | \$ (427,107)                        | \$ (478,405)           |

  

|   | 1% Decrease<br>in Trend Rates | Current<br>Trend<br>Rate | 1% Increase<br>in Trend Rates |
|---|-------------------------------|--------------------------|-------------------------------|
| School District's proportionate share of the net OPEB (asset) | \$ (475,509)                  | \$ (427,107)             | \$ (377,951)                  |

**NOTE 9 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2019**

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**NOTE 10 - REQUIRED SET-ASIDES**

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

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

|                                       | <u>Capital<br/>Improvements</u> |
|---------------------------------------|---------------------------------|
| Set-aside balance as of June 30, 2018 | \$ -                            |
| Current year set-aside requirement    | 94,623                          |
| Current year qualifying disbursements | <u>(397,521)</u>                |
| Total                                 | <u><u>(302,898)</u></u>         |
| <br>                                  |                                 |
| Set-aside balance as of June 30, 2019 | <u><u>\$ -</u></u>              |

**NOTE 11 - COMPLIANCE**

**GAAP Reporting**

Contrary to the Ohio Revised Code § 117.38 and Ohio Administrative Code §117-03(B), the School District does not prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

**LOCKLAND LOCAL SCHOOL DISTRICT, OHIO**

Supplementary Information

Schedule of Receipts, Disbursements and Changes in Fund

Balance - Budget and Actual (Budgetary Basis)

General Fund

Fiscal Year Ended June 30, 2019

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>With Final<br>Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| <b>Receipts</b>   |                     |                     |                     |                                  |
| Property taxes  | \$ 2,443,672        | \$ 2,444,852        | \$ 2,444,918        | \$ 66                            |
| Tuition and fees  | 229,632             | 586,869             | 593,739             | 6,870                            |
| Interest  | 47,832              | 122,243             | 123,674             | 1,431                            |
| Intergovernmental   | 5,320,997           | 5,303,676           | 5,303,676           | -                                |
| Miscellaneous   | 82,335              | 210,423             | 212,887             | 2,464                            |
| <b>Total receipts</b>   | <u>8,124,468</u>    | <u>8,668,063</u>    | <u>8,678,894</u>    | <u>10,831</u>                    |
| <b>Disbursements</b>  |                     |                     |                     |                                  |
| Current:  |                     |                     |                     |                                  |
| Instruction:  |                     |                     |                     |                                  |
| Regular   | 4,034,313           | 3,232,071           | 3,232,071           | -                                |
| Special   | 1,154,683           | 931,035             | 931,035             | -                                |
| Other instruction   | 64,750              | 49,785              | 49,785              | -                                |
| Support services:   |                     |                     |                     |                                  |
| Pupil   | 565,694             | 498,190             | 498,190             | -                                |
| Instructional staff   | 544,304             | 486,268             | 486,268             | -                                |
| Board of Education  | 200,050             | 142,846             | 142,846             | -                                |
| Administration  | 591,869             | 525,701             | 525,701             | -                                |
| Fiscal  | 416,823             | 372,330             | 372,743             | (413)                            |
| Business  | 6,500               | 4,413               | 4,413               | -                                |
| Operation and maintenance of plant                            | 1,187,757           | 740,820             | 740,820             | -                                |
| Pupil transportation  | 111,000             | 111,895             | 111,895             | -                                |
| Central   | 219,077             | 169,585             | 169,585             | -                                |
| Non-instructional services:                                   |                     |                     |                     |                                  |
| Extracurricular activities                                    | 18,914              | 11,942              | 11,942              | -                                |
| <b>Total disbursements</b>                                    | <u>9,115,734</u>    | <u>7,276,881</u>    | <u>7,277,294</u>    | <u>(413)</u>                     |
| Excess (deficiency) of receipts<br>over (under) disbursements | (991,266)           | 1,391,182           | 1,401,600           | 10,418                           |
| <b>Other financing uses:</b>                                  |                     |                     |                     |                                  |
| Transfers out   | (400,000)           | (260,385)           | (260,385)           | -                                |
| Net change in fund balance                                    | (1,391,266)         | 1,130,797           | 1,141,215           | \$ 10,418                        |
| Fund balance, beginning of year                               | 4,159,514           | 4,159,514           | 4,159,514           |                                  |
| Fund balance, end of year                                     | <u>\$ 2,768,248</u> | <u>\$ 5,290,311</u> | <u>\$ 5,300,729</u> |                                  |

See accompanying notes to the supplementary information.

# LOCKLAND LOCAL SCHOOL DISTRICT, OHIO

Notes to the Supplementary Information

Fiscal Year Ended June 30, 2019

## Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the modified cash basis of accounting, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual (Budgetary Basis) 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 modified cash basis are that:

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types (modified cash basis). There were no outstanding encumbrances at June 30, 2019.

Changes in investments are recognized on the budget basis when realized, whereas investments are adjusted to fair value at June 30, 2019 on the modified cash basis.

Certain funds accounted for as separate funds internally with legally adopted budgets (budgetary basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (modified cash basis).

The following tables summarize the adjustments necessary to reconcile the cash basis statements and the budgetary basis schedule:

|   |                     |
|---|---------------------|
|   | <u>General</u>      |
| Net change in fund balance - Cash Basis   | \$ 1,157,235        |
| Increase / (decrease):                    |                     |
| Fair value adjustments                    | (12,910)            |
| GASB 54 fund classifications              | <u>(3,110)</u>      |
| Net change in fund balance - Budget Basis | \$ <u>1,141,215</u> |

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| Federal Grantor/<br>Pass Through Grantor /<br>Program Title                       | Grant<br>Year | Federal<br>CFDA<br>Number | Receipts          | Expenditures      | Passed<br>Through to<br>Subrecipients |
|---|---------------|---------------------------|-------------------|-------------------|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |               |                           |                   |                   |                                       |
| <i>Passed Through The Ohio Department of Education:</i>                           |               |                           |                   |                   |                                       |
| Child Nutrition Cluster:  |               |                           |                   |                   |                                       |
| National School Breakfast Program   | N/A           | 10.553                    | \$ 8,394          | \$ 8,394          | \$ 8,394                              |
| National School Lunch Program   | N/A           | 10.555                    | 15,708            | 15,708            | 15,708                                |
| Total Child Nutrition Cluster   |               |                           | <u>24,102</u>     | <u>24,102</u>     | <u>24,102</u>                         |
| National School Lunch Program Equipment Grant                                     | 2016          | 10.579                    | -                 | 121               | -                                     |
| <b>Total U.S. Department of Agriculture</b>                                       |               |                           | <u>24,102</u>     | <u>24,223</u>     | <u>24,102</u>                         |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |               |                           |                   |                   |                                       |
| <i>Passed Through The Ohio Department of Education:</i>                           |               |                           |                   |                   |                                       |
| Title I Grants to Local Educational Agencies                                      | 2019          | 84.010                    | 404,751           | 438,231           | -                                     |
| Title I Grants to Local Educational Agencies                                      | 2018          | 84.010                    | 100,940           | 51,336            | -                                     |
| Total Title I Grants to Local Educational Agencies                                |               |                           | <u>505,691</u>    | <u>489,567</u>    | <u>-</u>                              |
| Special Education Cluster (IDEA):   |               |                           |                   |                   |                                       |
| Special Education Grants to States  | 2019          | 84.027                    | 125,379           | 140,347           | -                                     |
| Special Education Grants to States  | 2018          | 84.027                    | 26,737            | 15,740            | -                                     |
| Total Special Education Grants to States  |               |                           | <u>152,116</u>    | <u>156,087</u>    | <u>-</u>                              |
| Special Education Preschool Grant   | 2019          | 84.173                    | 720               | 800               | -                                     |
| Special Education Preschool Grant   | 2018          | 84.173                    | 115               | 115               | -                                     |
| Total Special Education Preschool Grant   |               |                           | <u>835</u>        | <u>915</u>        | <u>-</u>                              |
| Total Special Education Cluster (IDEA)  |               |                           | <u>152,951</u>    | <u>157,002</u>    | <u>-</u>                              |
| Title II-A Improving Teacher Quality State Grants                                 | 2019          | 84.367                    | 32,438            | 35,990            | -                                     |
| Title II-A Improving Teacher Quality State Grants                                 | 2018          | 84.367                    | 7,426             | 4,476             | -                                     |
| Total Title II-A Improving Teacher Quality State Grants                           |               |                           | <u>39,864</u>     | <u>40,466</u>     | <u>-</u>                              |
| <i>(Passed Through Great Oaks Institute of Technology and Career Development)</i> |               |                           |                   |                   |                                       |
| Career and Technical Education - Basic Grants to States                           | 2016          | 84.048                    | -                 | 2,200             | -                                     |
| Career and Technical Education - Basic Grants to States                           | 2015          | 84.048                    | -                 | 1,044             | -                                     |
| Total Career and Technical Education - Basic Grants to States                     |               |                           | <u>-</u>          | <u>3,244</u>      | <u>-</u>                              |
| Twenty-First Century Community Learning Centers                                   | 2019          | 84.287                    | 190,000           | 200,000           | -                                     |
| Special Education State Personnel Development                                     | 2019          | 84.323                    | 4,081             | 5,335             | -                                     |
| <i>(Passed Through Hamilton County Educational Service Center)</i>                |               |                           |                   |                   |                                       |
| English Language Acquisition Grant  | 2019          | 84.365                    | 7,500             | 7,738             | -                                     |
| English Language Acquisition Grant  | 2018          | 84.365                    | -                 | 980               | -                                     |
| Total English Language Acquisition Grant  |               |                           | <u>7,500</u>      | <u>8,718</u>      | <u>-</u>                              |
| Title IV-A Student Support and Academic Enrichment                                | 2019          | 84.424                    | 20,824            | 23,129            | -                                     |
| Title IV-A Student Support and Academic Enrichment                                | 2018          | 84.424                    | 1,083             | -                 | -                                     |
| Total Title IV-A Student Support and Academic Enrichment                          |               |                           | <u>21,907</u>     | <u>23,129</u>     | <u>-</u>                              |
| <b>Total - U.S. Department of Education</b>                                       |               |                           | <u>921,994</u>    | <u>927,461</u>    | <u>-</u>                              |
| <b>Total Federal Financial Assistance</b>   |               |                           | <u>\$ 946,096</u> | <u>\$ 951,684</u> | <u>\$ 24,102</u>                      |

See the accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Note A – Significant Accounting Policies and Basis of Presentation**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Lockland Local School District’s (the School District’s) federal award programs’ receipts and disbursements. The Schedule has been prepared on the cash basis of accounting. 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). The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

**Note B – Child Nutrition Cluster**

The School District comingles 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 C – Transfers**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE’s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year’s activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2019, the Ohio Department of Education (ODE) authorized the following transfers:

| CFDA<br>Number | Program Title                                     | Pass-Through<br>Entity Number<br>(or Grant Year) | Transfers-Out      | Transfers-In     |
|----------------|---|--|--------------------|------------------|
| 84.027         | Special Education Grants to States                | 2018   | \$ (21,464)        | \$ -             |
| 84.027         | Special Education Grants to States                | 2019   | -                  | 21,464           |
| 84.367         | Title II-A Improving Teacher Quality State Grants | 2018   | (5,270)            |                  |
| 84.367         | Title II-A Improving Teacher Quality State Grants | 2019   |                    | 5,270            |
| 84.010         | Title I Grants to Local Educational Agencies      | 2018   | (59,172)           | -                |
| 84.010         | Title I Grants to Local Educational Agencies      | 2019   | -                  | 59,172           |
| 84.365         | English and Language Acquisition Grants           | 2018   | (1,083)            | -                |
| 84.365         | English and Language Acquisition Grants           | 2019   | -                  | 1,083            |
| <b>Totals</b>  |   |  | <b>\$ (86,989)</b> | <b>\$ 86,989</b> |



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

December 10, 2019

Lockland Local School District  
Hamilton County  
210 North Cooper Avenue  
Lockland, Ohio 45215

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Lockland Local School District**, Hamilton County, (the School District) as of and for the year ended June 30, 2019, 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 December 10, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

**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 opinion 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.

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\* Ohio Society of CPAs \* West Virginia Society of CPAs \* Association of Certified Fraud Examiners \* Association of Certified Anti-Money Laundering Specialists \*

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2019-001.

### **School District's Response to Findings**

The School District's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



**Perry & Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*



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**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**

December 10, 2019

Lockland Local School District  
Hamilton County  
210 North Cooper Avenue  
Lockland, Ohio 45215

To the Board of Education:

***Report on Compliance for the Major Federal Program***

We have audited **Lockland 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 School District’s major federal program for the year ended June 30, 2019. The *Summary of Auditor’s Results* in the accompanying schedule of audit findings identifies the School District’s major federal program.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to opine on the School District’s compliance for the School District’s major federal 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.

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***Opinion on the Major Federal Program***

In our opinion, the Lockland Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

***Report on Internal Control Over Compliance***

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

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

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

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE OF AUDIT FINDINGS  
2 CFR § 200.515**

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |   |   |
|---------------------|---|---|
| <i>(d)(1)(i)</i>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <i>(d)(1)(ii)</i>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No  |
| <i>(d)(1)(ii)</i>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <i>(d)(1)(iii)</i>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes   |
| <i>(d)(1)(iv)</i>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No  |
| <i>(d)(1)(iv)</i>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <i>(d)(1)(v)</i>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <i>(d)(1)(vi)</i>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No  |
| <i>(d)(1)(vii)</i>  | <b>Major Programs (list):</b>   | Title I Grants to Local Educational Agencies – CFDA #84.010 |
| <i>(d)(1)(viii)</i> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others                  |
| <i>(d)(1)(ix)</i>   | <b>Low Risk Auditee under 2 CFR §200.520?</b>   | No  |

**LOCKLAND LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY  
FOR THE YEAR ENDED JUNE 30, 2019**

**SCHEDULE OF AUDIT FINDINGS  
2 CFR § 200.515**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**Finding Number 2019-001**

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires school districts to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The School District can be fined and various other administrative remedies may be taken against the School District. As such we recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

The Lockland LSD understands and appreciates the in depth analysis of a GAAP Financial Report. We are working towards accomplishing this requirement as soon as possible.

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

None.

# LOCKLAND SCHOOL DISTRICT

## Administrative Office

210 N. Cooper Ave • Lockland, Oh 45215  
Tel 513.563.5000 • fax 513.563.9611

## Lockland Middle School

249 W. Forrer Ave • Lockland, Oh 45215  
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## Lockland Elementary

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Tel 513.563.5000 • fax 513.563.9611

## Lockland High School

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| Finding Number | Finding Summary  | Status        | Additional Information       |
|----------------|--|---------------|------------------------------|
| 2018-001       | Posting of food service activity   | Corrected     | None                         |
| 2018-002       | Failure to file the annual report in accordance with generally accepted accounting principles (GAAP) | Not Corrected | Repeated as Finding 2019-001 |

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| <b>Finding Number</b> | <b>Planned Corrective Action</b>  | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b> |
|-----------------------|---|------------------------------------|-----------------------------------|
| 2019-001              | Discuss with the Board of Education the reasons to file GAAP, and the correlation to Federal funding. | June 30, 2020                      | Doug Ackermann, Treasurer         |

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# OHIO AUDITOR OF STATE KEITH FABER



**LOCKLAND LOCAL SCHOOL DISTRICT**

**HAMILTON 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  
FEBRUARY, 6 2020**