



Dave Yost • Auditor of State



**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY  
JUNE 30, 2017**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Ayersville Local School District  
Defiance County  
28046 Watson Road  
Defiance, Ohio 43512-8756

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ayersville Local School District, Defiance County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ayersville Local School District, Defiance County, Ohio, as of June 30, 2017, and the

[respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 13, 2018

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED**

The discussion and analysis of Ayersville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- The District's net position of governmental activities increased \$894,690 which represents a 5.76% increase from 2016.
- General revenues accounted for \$8,464,171 or 75.15% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,798,757 or 24.85% of total revenues of \$11,262,928.
- The District had \$10,368,238 in expenses related to governmental activities; only \$2,798,757 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements and restricted grants and entitlements) of \$8,464,171 were adequate to provide for these programs.
- The District's major governmental funds are the General Fund and the Classroom Facilities Fund. The General Fund had \$9,139,995 in revenues and \$8,463,665 in expenditures and other financing uses. The General Fund's fund balance increased \$675,749 from \$5,294,018 to \$5,969,767.
- The Classroom Facilities Fund had \$7,574,398 in revenues and \$4,307,866 in expenditures. The Classroom Facilities Fund's fund balance increased \$3,266,532 from \$10,637,287 to \$13,903,819.

**Using these Basic Financial Statements (BFS)**

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

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

**Reporting the District as a Whole**

*Statement of Net Position and Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017." The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into

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account all of the current year's revenues and expense regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the District's programs and services are reported as governmental activities, as most include instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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

***Fund Financial Statements***

Fund financial reports provide detailed informant about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the General Fund and the Classroom Facilities Fund.

***Governmental Funds***

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

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds and one private-purpose trust fund. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

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

***Required Supplementary Information***

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



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2017 and June 30, 2016.

	<b>Net Position</b>	
	Governmental Activities 2017	Governmental Activities 2016
<b><u>Assets</u></b>		
Current and other assets	\$ 41,037,145	\$ 42,701,806
Capital assets, net	7,402,823	2,808,326
Total assets	<u>48,439,968</u>	<u>45,510,132</u>
<b><u>Deferred outflows of resources</u></b>		
Unamortized deferred charges on debt refunding	560,632	-
Pensions	2,476,838	1,136,365
Total deferred outflows of resources	<u>3,037,470</u>	<u>1,136,365</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,860,917	1,252,443
Long-term liabilities:		
Due within one year	291,199	311,430
Due in more than one year:		
Net pension liability	13,378,918	11,245,298
Other amounts	14,958,386	14,446,071
Total liabilities	<u>31,489,420</u>	<u>27,255,242</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes levied for next fiscal year	2,952,225	2,626,236
Pensions	620,947	1,244,863
Total deferred inflows of resources	<u>3,573,172</u>	<u>3,871,099</u>
<b><u>Net position</u></b>		
Net investment in capital assets	3,149,938	1,784,346
Restricted	17,624,568	20,228,096
Unrestricted (deficit)	(4,359,660)	(6,492,286)
Total net position	<u>\$ 16,414,846</u>	<u>\$ 15,520,156</u>

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,414,846.

At year-end, capital assets represented 15.28% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. The District's net investment in capital assets at June 30, 2017 was \$3,149,938. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

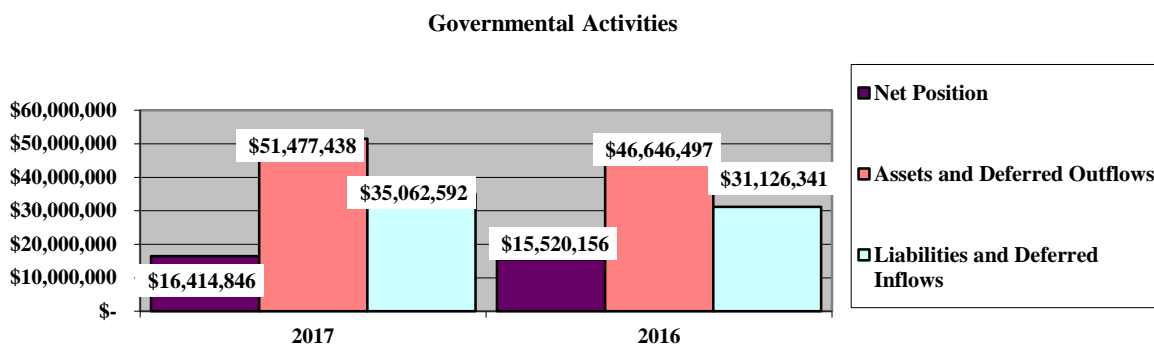
During fiscal year 2016, the District entered into a project agreement with the Ohio Facilities Construction Commission (OFCC) to construct a new PK-12 building. The OFCC's share of the project is \$20,291,730. The District issued \$13,661,198 in general obligation bonds to satisfy its funding requirement and for other locally funded initiatives. This project was ongoing throughout fiscal year 2017.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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A portion of the District's net position, \$17,624,568 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$4,359,660. The deficit balance in unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2017 and 2016.



The table below shows the changes in net position for governmental activities between 2017 and 2016.

**Change in Net Position**

	Governmental Activities 2017	Governmental Activities 2016
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,097,576	\$ 1,979,956
Operating grants and contributions	701,181	743,061
General revenues:		
Property taxes	3,845,427	3,425,337
Income taxes	905,748	864,484
Payments in lieu of taxes	5,548	15,058
Unrestricted grants and entitlements	3,535,409	3,584,640
Restricted grants and entitlements	-	20,291,730
Investment earnings	148,615	228,943
Miscellaneous	23,424	13,352
<b>Total revenues</b>	<b>11,262,928</b>	<b>31,146,561</b>

Restricted grants and entitlements revenue relates to the OFCC's share of the building project. Property taxes increased because of the 6.6 mill levy for debt service and the 0.5 mill levy for classroom facilities maintenance. These levies began being collected on January 1, 2016. Therefore, fiscal year 2017 was the first fiscal year of full collection of these levies. Charges for services and sales increased due to an increase in open enrollment tuition revenue.

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	Change in Net Position (Continued)	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,074,544	\$ 4,242,838
Special	806,653	626,859
Vocational	77,793	111,281
Other	639,378	555,780
Support services:		
Pupil	456,941	364,685
Instructional staff	453,482	451,054
Board of education	54,814	58,762
Administration	768,432	722,284
Fiscal	385,740	361,874
Operations and maintenance	608,595	686,448
Pupil transportation	330,115	298,873
Central	37,628	37,364
Operations of non-instructional services:		
Food service operations	400,387	398,178
Other non-instructional services	123,014	177,711
Extracurricular activities	515,342	466,876
Interest and fiscal charges	635,380	826,429
Total expenses	<u>10,368,238</u>	<u>10,387,296</u>
Change in net position	894,690	20,759,265
Net position at beginning of year	15,520,156	(5,239,109)
Net position at end of year	<u>\$ 16,414,846</u>	<u>\$ 15,520,156</u>

**Governmental Activities**

Net position of the District's governmental activities increased by \$894,690. Total governmental expenses of \$10,368,238 were offset by program revenues of \$2,798,757 and general revenues of \$8,464,171. Program revenues supported 26.99% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources, in addition to the collection of the District's school district income tax, represent 73.57% of total governmental revenue. Real estate property is reappraised every six years.

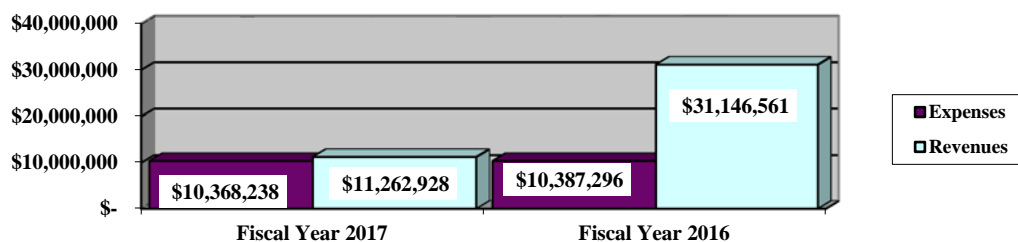
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,598,368 or 54.00% of total governmental expenses for fiscal 2017.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 4,074,544	\$ 2,391,102	\$ 4,242,838	\$ 2,610,744
Special	806,653	423,905	626,859	268,870
Vocational	77,793	74,589	111,281	109,900
Other	639,378	556,756	555,780	475,809
Support services:				
Pupil	456,941	455,427	364,685	363,008
Instructional staff	453,482	423,755	451,054	405,828
Board of education	54,814	54,814	58,762	58,762
Administration	768,432	767,278	722,284	721,104
Fiscal	385,740	385,740	361,874	361,874
Operations and maintenance	608,595	608,595	686,448	686,448
Pupil transportation	330,115	319,861	298,873	286,641
Central	37,628	36,308	37,364	36,044
Operations of non-instructional services:				
Food service operations	400,387	33,288	398,178	23,307
Other non-instructional services	123,014	113,069	177,711	162,938
Extracurricular activities	515,342	289,614	466,876	266,573
Interest and fiscal charges	635,380	635,380	826,429	826,429
<b>Total expenses</b>	<b><u>\$ 10,368,238</u></b>	<b><u>\$ 7,569,481</u></b>	<b><u>\$ 10,387,296</u></b>	<b><u>\$ 7,664,279</u></b>

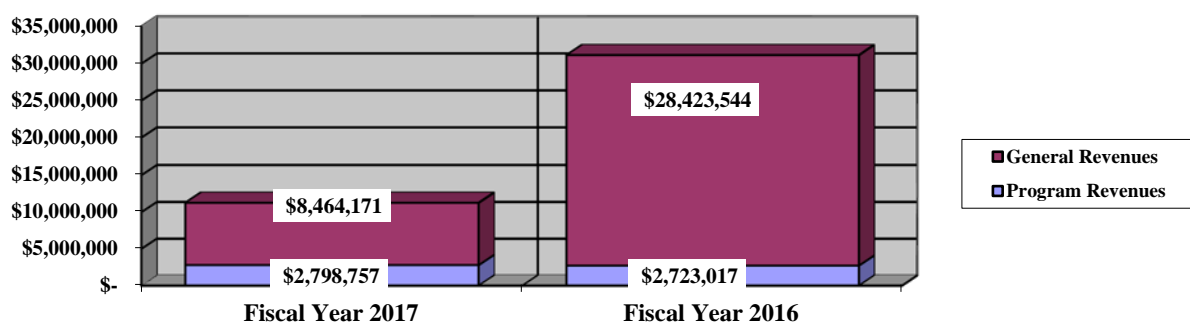
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The dependence upon tax and other general revenues for governmental activities is apparent as 61.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.01%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$23,773,913, which is greater than last year's total of \$19,945,896. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	<u>Fund Balance</u> <u>June 30, 2017</u>	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b>Major Funds:</b>				
General Fund	\$ 5,969,767	\$ 5,294,018	\$ 675,749	12.76 %
Classroom Facilities Fund	13,903,819	10,637,287	3,266,532	30.71 %
Other governmental funds	<u>3,900,327</u>	<u>4,014,591</u>	<u>(114,264)</u>	(2.85) %
Total	<u><u>\$ 23,773,913</u></u>	<u><u>\$ 19,945,896</u></u>	<u><u>\$ 3,828,017</u></u>	19.19 %

**General Fund**

The District's General Fund balance increased \$675,749 in fiscal year 2017. Tuition revenue increased approximately \$107,000 due to increased open enrollment revenue during fiscal year 2017. Tax revenue also increased by approximately \$180,000. The most significant reason for the increase in tax revenues is due to an increase of property taxes available as an advance at June 30, 2017 compared to June 30, 2016. Intergovernmental revenue decreased approximately \$45,000 due to a decrease in Medicaid reimbursements.

Total General Fund expenditures and other financing uses increased 4.31%. This was primarily due to customary wage and benefit increases.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,734,757	\$ 3,555,297	\$ 179,460	5.05 %
Tuition	1,609,889	1,503,019	106,870	7.11 %
Earnings on investments	36,858	52,758	(15,900)	(30.14) %
Intergovernmental	3,606,977	3,652,262	(45,285)	(1.24) %
Other revenues	<u>151,514</u>	<u>146,556</u>	<u>4,958</u>	3.38 %
Total	<u>\$ 9,139,995</u>	<u>\$ 8,909,892</u>	<u>\$ 230,103</u>	2.58 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,010,147	\$ 4,872,563	\$ 137,584	2.82 %
Support services	2,951,463	2,799,006	152,457	5.45 %
Non-instructional services	13,375	11,063	2,312	20.90 %
Extracurricular activities	359,037	319,068	39,969	12.53 %
Debt service	<u>104,643</u>	<u>104,643</u>	<u>-</u>	- %
Total	<u>\$ 8,438,665</u>	<u>\$ 8,106,343</u>	<u>\$ 332,322</u>	4.10 %

***Classroom Facilities Fund***

The Classroom Facilities Fund accounts for the OFCC's portion and the District's required local portion of the building construction project. During fiscal year 2017, the Classroom Facilities Fund had \$7,574,398 in revenues and \$4,307,866 in expenditures. The Classroom Facilities Fund's fund balance increased \$3,266,532 from \$10,637,287 to \$13,903,819.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2017, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues and other financing sources were \$8,785,462 and final budgeted revenues and other financing sources were \$8,906,550. Actual revenues and other financing sources for fiscal 2017 were \$8,939,113. This represents a \$32,563 increase from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$8,738,173 were increased to \$8,943,511 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$8,614,525 which was \$328,986 less than the final budget appropriations.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2017, the District had \$7,402,823 invested in land, construction on progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. The following table shows fiscal 2017 balances compared to fiscal 2016.

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

	Governmental Activities	
	2017	2016
Land	\$ 148,406	\$ 148,406
Construction in progress	5,592,525	998,638
Land improvements	96,636	87,187
Building and improvements	922,294	955,736
Furniture and equipment	453,131	468,882
Vehicles	185,865	144,086
Textbooks	3,966	5,391
Total	\$ 7,402,823	\$ 2,808,326

Total additions to capital assets for 2017 were \$4,791,053 and total disposals were \$2,357 (net of accumulated depreciation). Depreciation recorded for the fiscal year totaled \$194,199.

See Note 10 to the basic financial statements for further details on the District's capital assets.

*Debt Administration*

At June 30, 2017, the District had \$13,569,429 in general obligation bonds and \$21,770 in capital leases outstanding. Of these totals, \$215,027 is due within one year and \$13,376,172 is due in greater than one year. The following table summarized the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2017	Governmental Activities 2016
Capital lease - copiers	\$ 21,770	\$ 40,262
Capital lease - computers	-	107,061
General obligation bonds	13,569,429	13,666,693
Total	\$ 13,591,199	\$ 13,814,016

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



**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED  
(Continued)**

**Current Financial Related Activities**

Property tax levies on a continuing basis and a five-year, one-percent income tax are in place to help fund the General Fund operations of the District. Residential and agricultural property tax revenue and public utility taxes remain stable, and income tax receipts have rebounded as the economy has improved. Incoming open enrollment made up seventeen percent and reimbursement from the State for tangible personal property tax losses due to House Bill 66 made up seven percent of General Fund revenue in fiscal year 2017. Overall, revenue for the District is higher than last fiscal year due to an increase in unrestricted state aid and open enrollment.

State funding estimates for the District show no increase as the first year of the State biennial budget begins in fiscal year 2018. The State reimbursement of tangible personal property tax is projected to continue its phase-out during this current biennial budget. The phase-out of these funds will remain a concern in the future as the District relies heavily on this reimbursement to fund operations.

The District continues to manage its resources in spite of a difficult economy. General Fund cash basis expenditures increased by 4.2% compared to the prior fiscal year due mainly to increased salaries and benefits. The uncertainty associated with the long term effects of the elimination of the tangible personal property tax base and State funding revisions will create future challenges; however, the financial stability of the District continues to be a top priority.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Abby Sharp, CFO/Treasurer, Ayersville Local School District, 28046 Watson Road, Defiance, Ohio, 43512-8756.

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 13,700,482
Investments. . . . .	11,914,710
Receivables:	
Property taxes . . . . .	3,562,225
Income taxes. . . . .	292,354
Payment in lieu of taxes . . . . .	5,548
Accounts. . . . .	6,236
Accrued interest . . . . .	34,408
Intergovernmental . . . . .	11,493,576
Prepayments . . . . .	16,751
Materials and supplies inventory. . . . .	8,552
Inventory held for resale. . . . .	2,303
Capital assets:	
Nondepreciable capital assets . . . . .	5,740,931
Depreciable capital assets, net. . . . .	1,661,892
Capital assets, net . . . . .	7,402,823
Total assets. . . . .	48,439,968
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	560,632
Pension - STRS . . . . .	1,892,251
Pension - SERS . . . . .	584,587
Total deferred outflows of resources . . . . .	3,037,470
<b>Liabilities:</b>	
Accounts payable. . . . .	8,440
Contracts payable. . . . .	1,565,891
Retainage payable . . . . .	128,070
Accrued wages and benefits . . . . .	894,397
Intergovernmental payable . . . . .	59,041
Pension and postemployment benefits payable.	124,248
Accrued interest payable . . . . .	80,830
Long-term liabilities:	
Due within one year. . . . .	291,199
Due in more than one year:	
Net pension liability . . . . .	13,378,918
Other amounts due in more than one year .	14,958,386
Total liabilities . . . . .	31,489,420
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. .	2,952,225
Pension - STRS. . . . .	620,947
Total deferred inflows of resources . . . . .	3,573,172
<b>Net position:</b>	
Net investment in capital assets . . . . .	3,149,938
Restricted for:	
Capital projects . . . . .	17,209,308
Classroom facilities maintenance . . . . .	94,487
Debt service. . . . .	218,481
Federally funded programs . . . . .	8,615
Student activities . . . . .	45,781
Natatorium operations. . . . .	47,896
Unrestricted (deficit) . . . . .	(4,359,660)
Total net position. . . . .	\$ 16,414,846

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,074,544	\$ 1,553,796	\$ 129,646	\$ (2,391,102)
Special . . . . .	806,653	105,765	276,983	(423,905)
Vocational . . . . .	77,793	-	3,204	(74,589)
Other . . . . .	639,378	-	82,622	(556,756)
Support services:				
Pupil . . . . .	456,941	1,304	210	(455,427)
Instructional staff . . . . .	453,482	-	29,727	(423,755)
Board of education . . . . .	54,814	-	-	(54,814)
Administration . . . . .	768,432	-	1,154	(767,278)
Fiscal . . . . .	385,740	-	-	(385,740)
Operations and maintenance . . . . .	608,595	-	-	(608,595)
Pupil transportation . . . . .	330,115	1,940	8,314	(319,861)
Central . . . . .	37,628	-	1,320	(36,308)
Operation of non-instructional services:				
Food service operations . . . . .	400,387	220,752	146,347	(33,288)
Other non-instructional services . . . . .	123,014	6,993	2,952	(113,069)
Extracurricular activities . . . . .	515,342	207,026	18,702	(289,614)
Interest and fiscal charges . . . . .	635,380	-	-	(635,380)
<b>Total governmental activities . . . . .</b>	<b>\$ 10,368,238</b>	<b>\$ 2,097,576</b>	<b>\$ 701,181</b>	<b>(7,569,481)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,840,851
Debt service . . . . .	728,753
Capital outlay . . . . .	121,766
Natatorium operations . . . . .	98,304
Classroom facilities maintenance . . . . .	55,753
Payments in lieu of taxes . . . . .	5,548
Income taxes levied for:	
General purposes . . . . .	905,748
Grants and entitlements not restricted	
to specific programs . . . . .	3,535,409
Investment earnings . . . . .	148,615
Miscellaneous . . . . .	23,424
<b>Total general revenues . . . . .</b>	<b>8,464,171</b>
Change in net position . . . . .	894,690
<b>Net position at beginning of year . . . . .</b>	<b>15,520,156</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 16,414,846</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 6,200,178	\$ 6,837,188	\$ 663,116	\$ 13,700,482
Investments. . . . .	-	8,662,276	3,252,434	11,914,710
Receivables:				
Property taxes. . . . .	2,629,564	-	932,661	3,562,225
Income taxes . . . . .	292,354	-	-	292,354
Payment in lieu of taxes . . . . .	5,548	-	-	5,548
Accounts . . . . .	5,911	-	325	6,236
Accrued interest . . . . .	15,771	11,473	7,164	34,408
Intergovernmental. . . . .	41,089	11,372,177	80,310	11,493,576
Prepayments. . . . .	15,455	-	1,296	16,751
Materials and supplies inventory. . . . .	6,199	-	2,353	8,552
Inventory held for resale. . . . .	-	-	2,303	2,303
Due from other funds . . . . .	18,845	-	-	18,845
Total assets . . . . .	<u>\$ 9,230,914</u>	<u>\$ 26,883,114</u>	<u>\$ 4,941,962</u>	<u>\$ 41,055,990</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 1,160	\$ -	\$ 7,280	\$ 8,440
Contracts payable. . . . .	-	1,478,671	87,220	1,565,891
Retainage payable. . . . .	-	126,833	1,237	128,070
Accrued wages and benefits . . . . .	824,573	-	69,824	894,397
Compensated absences payable . . . . .	28,697	-	-	28,697
Intergovernmental payable . . . . .	42,449	-	16,592	59,041
Pension and postemployment benefits payable.	113,413	-	10,835	124,248
Due to other funds . . . . .	-	-	18,845	18,845
Total liabilities. . . . .	<u>1,010,292</u>	<u>1,605,504</u>	<u>211,833</u>	<u>2,827,629</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . .	2,192,419	-	759,806	2,952,225
Payment in lieu of taxes levied for the next fiscal year.	5,548	-	-	5,548
Delinquent property tax revenue not available. . .	22,145	-	7,855	30,000
Intergovernmental revenue not available. . . . .	26,024	11,372,177	60,939	11,459,140
Accrued interest not available. . . . .	4,719	1,614	1,202	7,535
Total deferred inflows of resources . . . . .	<u>2,250,855</u>	<u>11,373,791</u>	<u>829,802</u>	<u>14,454,448</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	6,199	-	2,353	8,552
Prepays. . . . .	15,455	-	1,296	16,751
Restricted:				
Debt service . . . . .	-	-	321,914	321,914
Capital improvements . . . . .	-	13,903,819	3,478,684	17,382,503
Classroom facilities maintenance . . . . .	-	-	94,052	94,052
Extracurricular. . . . .	-	-	45,781	45,781
Natatorium operations. . . . .	-	-	47,064	47,064
Committed:				
Capital improvements . . . . .	255,973	-	-	255,973
Termination benefits. . . . .	151,861	-	-	151,861
Assigned:				
Student instruction . . . . .	3,683	-	-	3,683
Student and staff support. . . . .	35,829	-	-	35,829
Subsequent year's appropriations . . . . .	309,150	-	-	309,150
Other purposes. . . . .	4,709	-	-	4,709
Unassigned (deficit) . . . . .	<u>5,186,908</u>	<u>-</u>	<u>(90,817)</u>	<u>5,096,091</u>
Total fund balances . . . . .	<u>5,969,767</u>	<u>13,903,819</u>	<u>3,900,327</u>	<u>23,773,913</u>
Total liabilities, deferred inflows and fund balances .	<u>\$ 9,230,914</u>	<u>\$ 26,883,114</u>	<u>\$ 4,941,962</u>	<u>\$ 41,055,990</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2017

<b>Total governmental fund balances</b>		\$	23,773,913
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,402,823
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	30,000	
Payment in lieu of taxes receivable		5,548	
Accrued interest receivable		7,535	
Intergovernmental receivable		11,459,140	
Total		11,459,140	11,502,223
Unamortized premiums on bonds issued are not recognized in the funds.			(1,105,796)
Unamortized amounts on refundings are not recognized in the funds.			560,632
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(80,830)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		2,476,838	
Deferred inflows - pension		(620,947)	
Net pension liability		(13,378,918)	
Total		(13,378,918)	(11,523,027)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(13,569,429)	
Capital lease obligations		(21,770)	
Compensated absences		(523,893)	
Total		(14,115,092)	(14,115,092)
<b>Net position of governmental activities</b>		\$	16,414,846

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,829,009	\$ -	\$ 1,001,418	\$ 3,830,427
Income taxes . . . . .	905,748	-	-	905,748
Tuition . . . . .	1,609,889	-	-	1,609,889
Transportation fees . . . . .	1,940	-	-	1,940
Earnings on investments . . . . .	36,858	82,123	29,604	148,585
Charges for services . . . . .	-	-	220,638	220,638
Extracurricular . . . . .	1,670	-	140,844	142,514
Classroom materials and fees . . . . .	56,416	-	-	56,416
Other local revenues . . . . .	91,488	-	20,323	111,811
Intergovernmental - state . . . . .	3,566,700	7,492,275	70,950	11,129,925
Intergovernmental - federal . . . . .	40,277	-	510,577	550,854
Total revenues . . . . .	<u>9,139,995</u>	<u>7,574,398</u>	<u>1,994,354</u>	<u>18,708,747</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,747,546	-	143,730	3,891,276
Special . . . . .	633,189	-	149,498	782,687
Vocational . . . . .	72,678	-	2,000	74,678
Other . . . . .	556,734	-	82,636	639,370
Support services:				
Pupil . . . . .	444,517	-	5,537	450,054
Instructional staff . . . . .	395,667	-	47,291	442,958
Board of education . . . . .	54,814	-	-	54,814
Administration . . . . .	724,054	-	1,154	725,208
Fiscal . . . . .	350,160	9,056	11,691	370,907
Operations and maintenance . . . . .	581,106	-	71,334	652,440
Pupil transportation . . . . .	362,874	-	4,388	367,262
Central . . . . .	38,271	-	1,320	39,591
Operation of non-instructional services:				
Food service operations . . . . .	4,627	-	390,503	395,130
Other non-instructional services . . . . .	8,748	-	125,152	133,900
Extracurricular activities . . . . .	359,037	-	143,134	502,171
Facilities acquisition and construction . . . . .	-	4,298,810	295,077	4,593,887
Debt service:				
Principal retirement . . . . .	100,553	-	145,000	245,553
Interest and fiscal charges . . . . .	4,090	-	515,970	520,060
Bond issuance costs . . . . .	-	-	123,645	123,645
Total expenditures . . . . .	<u>8,438,665</u>	<u>4,307,866</u>	<u>2,259,060</u>	<u>15,005,591</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>701,330</u>	<u>3,266,532</u>	<u>(264,706)</u>	<u>3,703,156</u>
<b>Other financing sources (uses):</b>				
Premium on refunding bonds . . . . .	-	-	820,238	820,238
Sale of refunding bonds . . . . .	-	-	3,599,923	3,599,923
Sale of capital assets . . . . .	-	-	650	650
Transfers in . . . . .	-	-	25,000	25,000
Transfers (out) . . . . .	(25,000)	-	-	(25,000)
Payment to refunding bond escrow agent . . . . .	-	-	(4,295,267)	(4,295,267)
Total other financing sources (uses) . . . . .	<u>(25,000)</u>	<u>-</u>	<u>150,544</u>	<u>125,544</u>
Net change in fund balances . . . . .	676,330	3,266,532	(114,162)	3,828,700
<b>Fund balances at beginning of year . . . . .</b>	5,294,018	10,637,287	4,014,591	19,945,896
<b>Decrease in reserve for inventory . . . . .</b>	(581)	-	(102)	(683)
<b>Fund balances at end of year . . . . .</b>	<u>\$ 5,969,767</u>	<u>\$ 13,903,819</u>	<u>\$ 3,900,327</u>	<u>\$ 23,773,913</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Net change in fund balances - total governmental fund:</b>	\$	3,828,700
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 4,791,053	
Current year depreciation	<u>(194,199)</u>	
Total		4,596,854
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(2,357)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(683)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	15,000	
Payment in lieu of taxes	5,548	
Earnings on investments	33	
Intergovernmental	<u>(7,466,400)</u>	
Total		(7,445,819)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		245,553
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(3,599,923)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	3,600,000	
Deferred charges on refundings	<u>695,267</u>	
Total		4,295,267
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(820,238)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Increase in accrued interest payable	13,087	
Accreted interest on capital appreciation bonds	(22,813)	
Amortization of bond premiums	32,067	
Amortization of deferred charges	<u>(14,016)</u>	
Total		8,325
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		667,713
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(836,944)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(41,758)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>894,690</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 2,331,000	\$ 2,452,088	\$ 2,647,009	\$ 194,921
Income taxes. . . . .	889,686	889,686	892,315	2,629
Payment in lieu of taxes. . . . .	15,054	15,054	13,811	(1,243)
Tuition. . . . .	1,698,639	1,698,639	1,609,889	(88,750)
Transportation fees. . . . .	-	-	1,940	1,940
Earnings on investments . . . . .	35,700	35,700	58,131	22,431
Classroom materials and fees . . . . .	31,000	31,000	30,553	(447)
Other local revenues . . . . .	11,000	11,000	23,436	12,436
Intergovernmental - state . . . . .	3,728,768	3,728,768	3,576,332	(152,436)
Intergovernmental - federal . . . . .	40,000	40,000	43,366	3,366
Total revenues . . . . .	<u>8,780,847</u>	<u>8,901,935</u>	<u>8,896,782</u>	<u>(5,153)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,373,941	6,523,722	3,803,322	2,720,400
Special. . . . .	268,569	274,880	604,302	(329,422)
Vocational. . . . .	112,360	115,000	72,682	42,318
Other. . . . .	431,235	441,369	556,738	(115,369)
Support services:				
Pupil. . . . .	192,018	196,530	389,258	(192,728)
Instructional staff . . . . .	108,113	110,654	390,883	(280,229)
Board of education . . . . .	71,300	72,975	61,962	11,013
Administration. . . . .	64,585	66,103	734,687	(668,584)
Fiscal . . . . .	179,456	183,673	353,312	(169,639)
Operations and maintenance. . . . .	554,583	567,615	839,861	(272,246)
Pupil transportation . . . . .	219,823	224,989	362,148	(137,159)
Central. . . . .	39,228	40,150	38,277	1,873
Other non-instructional services . . . . .	3,425	3,505	9,454	(5,949)
Extracurricular activities. . . . .	2,292	2,346	278,615	(276,269)
Total expenditures . . . . .	<u>8,620,928</u>	<u>8,823,511</u>	<u>8,495,501</u>	<u>328,010</u>
Excess of revenues over expenditures. . . . .	<u>159,919</u>	<u>78,424</u>	<u>401,281</u>	<u>322,857</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	30	30	42,331	42,301
Refund of prior year's receipts. . . . .	-	-	(16)	(16)
Transfers (out). . . . .	(117,245)	(120,000)	(119,008)	992
Advances in. . . . .	4,585	4,585	-	(4,585)
Total other financing sources (uses) . . . . .	<u>(112,630)</u>	<u>(115,385)</u>	<u>(76,693)</u>	<u>38,692</u>
Net change in fund balance . . . . .	47,289	(36,961)	324,588	361,549
<b>Fund balance at beginning of year . . . . .</b>	<b>5,352,934</b>	<b>5,352,934</b>	<b>5,352,934</b>	<b>-</b>
<b>Prior year encumbrances appropriated . .</b>	<b>68,850</b>	<b>68,850</b>	<b>68,850</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 5,469,073</u></b>	<b><u>\$ 5,384,823</u></b>	<b><u>\$ 5,746,372</u></b>	<b><u>\$ 361,549</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 36,988	\$ 40,559
Receivables:		
Accounts . . . . .	-	5
Prepayments . . . . .	-	9
	<hr/>	<hr/>
Total assets. . . . .	36,988	\$ 40,573
	<hr/>	<hr/>
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 40,573
Total liabilities . . . . .	-	\$ 40,573
	<hr/>	<hr/>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	\$ 36,988	
	<hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 447
Gifts and contributions. . . . .	1,250
Total additions. . . . .	1,697
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,700
Change in net position . . . . .	(3,003)
<b>Net position at beginning of year. . . . .</b>	<b>39,991</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 36,988</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

The Ayersville Local School District (the “District”) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District was established in 1938 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-five square miles. It is located in Defiance County. The District is staffed by 32 classified employees and 60 certified employees, which includes 5 administrative personnel, who provide services to approximately 762 students and other community members. The District currently operates one instructional building and one bus garage.

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

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

**A. Reporting Entity**

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

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Northwest Ohio Computer Association - The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member educational entities are located and from the member educational entity serving as the fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services received are made to the Northern Buckeye Educational Council. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$64,028 for various services. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC this fiscal year were \$250. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Four County Career Center - The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from each of the city school districts; one representative from the participating school districts' elected boards. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were \$79,791. To obtain financial information write to Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northwestern Ohio Education Research Council, Inc. - Northwestern Ohio Education Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. The District did not make any payments to NOERC during this fiscal year. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

State Support Team Region One - State Support Teams address school improvement through their role in the implementation of the Ohio Improvement Process (OIP). The State Support Team Region 1 builds capacity region-wide through facilitating and supporting district-wide OIP implementation and providing technical assistance and coaching to school teams and learning communities. The State Support Team Region 1 is located at 2275 Collingwood Boulevard, Suite C, Toledo, Ohio 43620.

*GROUP PURCHASING POOLS*

Employee Insurance Benefits Program - The District participates in a group health insurance pool through the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Program) (see Note 14.B). The Program is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code Section 9.833. The Program is a public entity shared risk pool consisting of educational entities throughout the State. The Program is governed by OHI and its participating members.

The District contributed a total of \$942,123 to Northern Buckeye Health Plan, Northwest Division of OHI for all four employee insurance plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

Workers' Compensation Group Rating Plan - The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan (NBHP), Northern Division of OHI Workers' Compensation Group Rating Plan (WCGRP) is an insurance purchasing pool (see Note 14.C). The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. The District did not make any payments to the WCGRP during this fiscal year.

Southwestern Ohio Educational Purchasing Council Liability, Fleet, and Property Program - The District participates in the Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program (LFP). The LFP's business and affairs are conducted by a six member committee consisting of various LFP representatives that are elected by the general assembly. The purpose of the LFP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participants. The District paid \$40,483 for those services to Southwestern Ohio Educational Purchasing Council during fiscal year 2017.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**B. Fund Accounting**

The 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 three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

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

*General Fund* - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Classroom Facilities Fund* - The Classroom Facilities Fund is used to account for and report monies received that are restricted for expenditures in connection with contracts entered into by the District and the Ohio Facilities Construction Commission for the building and equipping of classroom facilities.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**C. Basis of Presentation**

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

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

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

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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



**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

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

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 15 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2017 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2017.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and object level of expenditures within the General Fund and the fund level for all other funds, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

Board adopted 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 appropriations at the legal level of control.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions within a fund must be approved by the Board of Education.
6. 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. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2017. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final budgeted appropriations for fiscal year 2017.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the object level.

**F. Cash and Investments**

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

During fiscal year 2017, investments were limited to federal agency securities, negotiable certificates of deposit, U.S. government money market mutual funds and commercial paper. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the General Fund during fiscal year 2017 amounted to \$36,858, which includes \$2,388 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are reported as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

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

**G. Inventory**

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**H. Capital Assets**

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their acquisition values as of the date received. During fiscal year 2017, the District maintained a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is not capitalized for governmental activities.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings/improvements	25 - 50 years
Furniture/equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks	5 years

**I. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability in the fund financial statements when due.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**K. Fund Balance**

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

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

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**L. Net Position**

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

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

**M. Prepayments**

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

**N. Estimates**

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

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District reports no restricted assets.

**P. Interfund Activity**

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

**Q. Interfund Balances**

Interfund loans that are used to cover negative cash balances are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities columns of the statement of net position.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

**R. Pensions**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2017.

**T. Bond Premium/Accounting Gain or Loss**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized using the straight-line method, which approximates the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow on the government-wide financial statements.

On the governmental fund financial statements, bond premiums and discounts are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.A.

**U. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 22); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 33,162
Title IV-B	25,934
Title I	11,348
Title II-A	909
Miscellaneous federal grants	15,875

The General Fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.



**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim moneys 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.

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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

8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days and two hundred seventy days, respectively from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time: and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Cash on Hand**

At fiscal year end, the District had \$200 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was \$8,274,540. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$45,662 of the District's bank balance of \$8,312,931 was exposed to custodial risk as discussed below, while \$8,267,269 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2017, the District had the following investments and maturities:

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

Investment type	Fair value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 541,864	\$ -	\$ 449,105	\$ -	\$ -	\$ 92,759
FHLMC	623,772	248,907	-	-	99,551	275,314
FFCB	896,481	-	896,481	-	-	-
FNMA	2,768,513	-	1,337,650	59,787	-	1,371,076
FAMC	250,330	-	-	-	-	250,330
Negotiable CDs	6,469,103	2,816,540	641,905	1,619,632	266,103	1,124,923
Commercial paper	5,375,443	1,411,533	3,963,910	-	-	-
U.S. Government money market funds	492,493	492,493	-	-	-	-
	<u>\$ 17,417,999</u>	<u>\$ 4,969,473</u>	<u>\$ 7,289,051</u>	<u>\$ 1,679,419</u>	<u>\$ 365,654</u>	<u>\$ 3,114,402</u>

The weighted average maturity of investments is 1.13 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities, negotiable CDs and commercial paper are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits the investments in commercial paper to a maximum of 270 days from the date of purchase.

*Credit Risk:* U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper were rated A-1+ or A-1 by Standard & Poor's and P-1 by Moody's Investor Services. The District had no investment policy dealing with investment credit risk beyond the requirements in State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 negotiable CDs are covered by FDIC. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Investment type</u>	<u>Fair value</u>	<u>% of Total</u>
FHLB	\$ 541,864	3.11
FHLMC	623,772	3.58
FFCB	896,481	5.15
FNMA	2,768,513	15.89
FAMC	250,330	1.44
Negotiable CDs	6,469,103	37.14
Commercial paper	5,375,443	30.86
U.S. Government money market funds	492,493	2.83
	<u>\$ 17,417,999</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,274,540
Investments	17,417,999
Cash on hand	<u>200</u>
Total	<u>\$ 25,692,739</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 25,615,192
Private-purpose trust fund	36,988
Agency funds	<u>40,559</u>
Total	<u>\$ 25,692,739</u>

**NOTE 5 – INTERFUND TRANSACTIONS**

A. Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$ 25,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 5 – INTERFUND TRANSACTIONS – (Continued)**

All transfers made in fiscal year 2017 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

- B.** Interfund balances consisted of the following due to/from other funds at June 30, 2017, as reported on the fund statements:

<u>Due to the General Fund from:</u>	<u>Amount</u>
Nonmajor Governmental Funds	<u>\$ 18,845</u>

The primary purpose of the interfund loans due to the General Fund is to cover negative cash balances in the nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balances will be repaid once the anticipated revenues are received.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Defiance County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$415,000 in the General Fund, \$124,000 in the Bond Retirement Fund, a nonmajor governmental fund, \$18,000 in the Permanent Improvement Fund, a nonmajor governmental fund, \$9,000 in the Classroom Facilities Maintenance Fund, a nonmajor governmental fund, and \$14,000 in the Natatorium Special Levy Fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$233,000 in the General Fund, \$83,000 in the Bond Retirement Fund, a nonmajor governmental fund, \$10,000 in the Permanent Improvement Fund, a nonmajor governmental fund, \$6,000 in the Classroom Facilities Maintenance fund, a nonmajor governmental fund and \$8,500 in the Natatorium Special Levy Fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 95,793,600	89.69	\$ 96,526,210	89.55
Public utility personal	<u>11,008,360</u>	<u>10.31</u>	<u>11,260,360</u>	<u>10.45</u>
Total	<u>\$ 106,801,960</u>	<u>100.00</u>	<u>\$ 107,786,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.58		\$ 50.43	

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2017 consisted of property taxes, income taxes, payments in lieu of taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental Activities:**

Property taxes	\$ 3,562,225
Income taxes	292,354
Payment in lieu of taxes	5,548
Accounts	6,236
Intergovernmental	11,493,576
Accrued interest	<u>34,408</u>
Total	<u>\$ 15,394,347</u>

Receivables have been disaggregated on the face of the basic financial statements. An intergovernmental receivable in the amount of \$11,372,177 reported in the Classroom Facilities Fund is expected to be collected over the life of the OFCC project. All other receivables are expected to be collected within the subsequent year; however, the status of any delinquent tax collections is unknown.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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**NOTE 8 – INCOME TAXES**

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2008 and was in effect for a period of five years, until December 31, 2012. In March 2012, voters renewed this levy for an additional five years, effective January 1, 2013 through December 31, 2017. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and amounted to \$905,748 for fiscal year 2017.

**NOTE 9 – PAYMENT IN LIEU OF TAXES**

The District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continues until the agreement expires.

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance			Balance
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 148,406	\$ -	\$ -	\$ 148,406
Construction in progress	998,638	4,593,887	-	5,592,525
Total capital assets, not being depreciated	<u>1,147,044</u>	<u>4,593,887</u>	<u>-</u>	<u>5,740,931</u>
Capital assets, being depreciated:				
Land improvements	391,992	21,841	(48,530)	365,303
Building/improvements	3,241,654	32,652	-	3,274,306
Furniture/equipment	2,066,806	56,173	(24,736)	2,098,243
Vehicles	940,070	86,500	(100,997)	925,573
Textbooks	674,743	-	(23,534)	651,209
Total capital assets, being depreciated	<u>7,315,265</u>	<u>197,166</u>	<u>(197,797)</u>	<u>7,314,634</u>
Less: accumulated depreciation				
Land improvements	(304,805)	(10,035)	46,173	(268,667)
Building/improvements	(2,285,918)	(66,094)	-	(2,352,012)
Furniture/equipment	(1,597,924)	(71,924)	24,736	(1,645,112)
Vehicles	(795,984)	(44,721)	100,997	(739,708)
Textbooks	(669,352)	(1,425)	23,534	(647,243)
Total accumulated depreciation	<u>(5,653,983)</u>	<u>(194,199)</u>	<u>195,440</u>	<u>(5,652,742)</u>
Governmental activities capital assets, net	<u>\$ 2,808,326</u>	<u>\$ 4,596,854</u>	<u>\$ (2,357)</u>	<u>\$ 7,402,823</u>

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 – CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 55,276
Special	6,422
Vocational	3,106
Other	854
<u>Support services:</u>	
Pupil	2,217
Instructional staff	14,147
Administration	6,962
Fiscal	3,260
Operations and maintenance	41,907
Pupil transportation	44,915
Food service operations	2,766
Extracurricular activities	<u>12,367</u>
Total depreciation expense	<u>\$ 194,199</u>

**NOTE 11 – CAPITAL LEASES – LESSEE DISCLOSURE**

The District entered into capital leases for the acquisition of copiers and laptop computers for the one-to-one laptop initiative for high school students. All leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, all leases were accounted for as an other financing source and a capital outlay expenditure in the General Fund. Capital lease payments have been reclassified and shown as debt service expenditures in the General Fund and the Permanent Improvement Fund, a nonmajor governmental fund. These expenditures will be reflected as function expenditures on a budgetary basis. The general capital assets acquired by the copier capital lease have been capitalized in the Governmental Activities on the statement of net position in an amount equal to the present value of the future minimum lease payments as of the date of their inception. The equipment acquired by the computer capital lease is under the District's capitalization threshold of \$1,500 per item. A corresponding liability has been recorded in the Governmental Activities on the statement of net position. Principal payments made during fiscal year 2017 totaled \$107,061 for the computers and \$18,492 for the copiers. The capital lease for the computers was paid off in fiscal year 2017.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2017.

<u>Fiscal year ending June 30,</u>	<u>Copiers</u>
2018	\$ 21,045
2019	<u>1,754</u>
Total minimum lease payment	22,799
Less amount representing interest	<u>(1,029)</u>
Total	<u>\$ 21,770</u>



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**NOTE 12 – LONG-TERM OBLIGATIONS**

A. The changes in the District’s long-term obligations during the year consist of the following:

	Balance			Balance	Amounts
	<u>June 30, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2017</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences payable	\$ 505,241	\$ 114,411	\$ (67,062)	\$ 552,590	\$ 76,172
Net pension liability	11,245,298	2,133,620	-	13,378,918	-
General obligation bonds - series 2015	13,666,693	14,076	(3,720,000)	9,960,769	125,000
Refunding bonds - series 2016	-	3,608,660	-	3,608,660	70,000
Capital lease - copiers	40,262	-	(18,492)	21,770	20,027
Capital lease - computers	<u>107,061</u>	<u>-</u>	<u>(107,061)</u>	<u>-</u>	<u>-</u>
Total governmental Activities					
long-term liabilities	<u>\$ 25,564,555</u>	<u>\$ 5,870,767</u>	<u>\$ (3,912,615)</u>	27,522,707	<u>\$ 291,199</u>
Add: unamortized premium on bond issue				<u>1,105,796</u>	
Total on statement of net position				<u>\$ 28,628,503</u>	

Compensated absences will be paid from the General Fund.

The District’s net pension liability is discussed in Note 15.

The District’s capital leases are discussed in Note 11.

School Facilities Construction and Improvement Bonds - Series 2015:

On July 22, 2015, the District issued \$13,661,198 in general obligation bonds to provide funds for the District’s building project. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the Bond Retirement Fund, a nonmajor governmental fund.

This issue is comprised of both current interest bonds, par value \$13,655,000, and capital appreciation bonds, par value \$6,198. The interest rates on the current interest bonds range from 1.00% to 5.00%. The capital appreciation bonds mature on November 1, 2019 (approximate initial offering yield to maturity 1.92%), November 1, 2020 (approximate initial offering yield to maturity 2.16%), and November 1, 2021 (approximate initial offering yield to maturity 2.46%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$380,000. A total of \$19,571 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2017.

On November 30, 2016, the District issued \$3,599,923 (Refunding School Facilities Construction and Improvement Bonds - Series 2016) to advance refund a portion of the bonds. The refunded portions of the Series 2015 bonds included portions of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

Interest payments on the current interest bonds are due on May 1 and November 1 of each year. The final maturity stated of the current interest bonds is November 1, 2052.

At June 30, 2017, \$11,549,131 of the proceeds of the Series 2015 general obligations are unspent.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 – LONG-TERM OBLIGATIONS – (Continued)**

The following is a schedule of activity for fiscal year 2017 on the Series 2015 general obligation bonds:

<u>Series 2015</u>	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/17</u>
Current interest bonds	\$ 13,655,000	\$ -	\$ (3,720,000)	\$ 9,935,000
Capital appreciation bonds	6,198	-	-	6,198
Accreted interest	5,495	14,076	-	19,571
<b>Total series 2015</b>	<b>\$ 13,666,693</b>	<b>\$ 14,076</b>	<b>\$ (3,720,000)</b>	<b>\$ 9,960,769</b>

*Refunding School Facilities Construction and Improvement Bonds - Series 2016:*

On November 30, 2016, the District issued general obligation bonds (Series 2016 Refunding Bonds) to advance refund a portion of the Series 2015 current interest general obligation bonds. The issuance proceeds of \$4,295,267 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$3,600,000 at June 30, 2017. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the Bond Retirement Fund, a nonmajor governmental fund.

This issue is comprised of both current interest bonds, par value \$3,455,000, and capital appreciation bonds, par value \$144,923. The interest rates on the current interest bonds range from 1.25% to 3.50%. The capital appreciation bonds mature on November 1, 2031 (approximate initial offering yield to maturity 3.15%), November 1, 2032 (approximate initial offering yield to maturity 3.21%), November 1, 2033 (approximate initial offering yield to maturity 3.27%) and November 1, 2034 (approximate initial offering yield to maturity 3.32%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,425,000. A total of \$8,737 in accreted interest on the capital appreciation bonds has been included on the statement of net position at June 30, 2017.

The reacquisition price exceeded the net carrying amount of the old debt by \$574,648. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments by \$372,334 and resulted in an economic gain of \$276,578.

Interest payments on the current interest bonds are due May 1 and November 1 each year. The final maturity stated on the issue is November 1, 2040.

The following is a schedule of activity for fiscal year 2017 on the Series 2016 refunding bonds:

<u>Series 2016</u>	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/17</u>
Current interest bonds	\$ -	\$ 3,455,000	\$ -	\$ 3,455,000
Capital appreciation bonds	-	144,923	-	144,923
Accreted interest	-	8,737	-	8,737
<b>Total series 2016</b>	<b>\$ -</b>	<b>\$ 3,608,660</b>	<b>\$ -</b>	<b>\$ 3,608,660</b>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 195,000	\$ 483,295	\$ 678,295	\$ -	\$ -	\$ -
2019	185,000	479,982	664,982	-	-	-
2020	95,000	477,651	572,651	3,178	91,822	95,000
2021	65,000	476,425	541,425	1,963	128,037	130,000
2022	65,000	475,385	540,385	1,057	153,943	155,000
2023 - 2027	1,240,000	2,291,045	3,531,045	-	-	-
2028 - 2032	1,240,000	2,060,963	3,300,963	-	-	-
2033 - 2037	755,000	1,950,213	2,705,213	42,883	302,117	345,000
2038 - 2042	2,225,000	1,664,800	3,889,800	102,040	977,960	1,080,000
2043 - 2047	2,865,000	1,189,500	4,054,500	-	-	-
2048 - 2052	3,630,000	542,600	4,172,600	-	-	-
2053	830,000	16,600	846,600	-	-	-
<b>Total</b>	<b>\$ 13,390,000</b>	<b>\$ 12,108,459</b>	<b>\$ 25,498,459</b>	<b>\$ 151,121</b>	<b>\$ 1,653,879</b>	<b>\$ 1,805,000</b>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$(3,526,463), including available funds of \$321,914, and an unvoted debt margin of \$107,697. The District is allowed to exceed its debt margin under Ohio Revised Code Section 133.06(I).

**NOTE 13 – COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Twelve month classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Up to three years' vacation time may be accumulated. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for both classified and certified employees with less than 25 years of service, and up to a maximum of two hundred and ten days once 25 years of service is achieved. Upon retirement, payment is made for twenty-five percent of accrued, plus five days if the accumulation is greater than 200 days, plus three days if notice of retirement is received by the Superintendent prior to March 1, to a maximum of fifty-eight days.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 – RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium Insurance Benefits Program (the Program), a public entity risk pool consisting of educational entities located throughout the State. The District pays monthly premiums to the NBHP for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. NBHP is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal of the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northern Division of OHI Workers' Compensation Group Rating Plan (WCGRP), an insurance purchasing pool. The NBHP WCGRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the WCGRP. Each participant pays its workers' compensation premium to the State based on the rate for the WCGRP rather than its individual rate. The Executive Director coordinates the management and administration of the program.

**NOTE 15 – DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

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

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

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

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.

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$154,456 for fiscal year 2017. Of this amount, \$26,046 is reported as pension and postemployment benefits payable.

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

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS Ohio was \$513,257 for fiscal year 2017. Of this amount, \$80,592 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.02919050%	0.03466235%	
Proportion of the net pension liability current measurement date	<u>0.03015130%</u>	<u>0.03337650%</u>	
Change in proportionate share	<u>0.00096080%</u>	<u>-0.00128585%</u>	
Proportionate share of the net of the net pension liability	\$ 2,206,797	\$ 11,172,121	\$ 13,378,918
Pension expense	\$ 264,009	\$ 572,935	\$ 836,944

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

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 29,764	\$ 451,409	\$ 481,173
Net difference between projected and actual earnings on pension plan investments	182,028	927,585	1,109,613
Changes of assumptions	147,316	-	147,316
Difference between District contributions and proportionate share of contributions/ change in proportionate share	71,023	-	71,023
District contributions subsequent to the measurement date	<u>154,456</u>	<u>513,257</u>	<u>667,713</u>
Total deferred outflows of resources	<u>\$ 584,587</u>	<u>\$ 1,892,251</u>	<u>\$ 2,476,838</u>
<b>Deferred inflows of resources</b>			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ -</u>	<u>\$ 620,947</u>	<u>\$ 620,947</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 620,947</u>	<u>\$ 620,947</u>

\$667,713 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 118,742	\$ 35,479	\$ 154,221
2019	118,609	35,479	154,088
2020	140,456	391,421	531,877
2021	<u>52,324</u>	<u>295,668</u>	<u>347,992</u>
Total	<u>\$ 430,131</u>	<u>\$ 758,047</u>	<u>\$ 1,188,178</u>

***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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

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

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, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

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

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,921,662	\$ 2,206,797	\$ 1,608,425

**Actuarial Assumptions – STRS Ohio**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio’s investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates 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	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 14,846,840	\$ 11,172,121	\$ 8,072,278

*Changes Between Measurement Date and Report Date* - In March 2017, the STRS Ohio Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of July 1, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Ohio Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2017, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 16 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

*Health Care Plan Description* - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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.

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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 16 – POSTEMPLOYMENT BENEFITS – (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$17,610.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$17,610, \$15,265, and \$21,410, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. Nearly all health care enrollees, for the most part of the 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. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**NOTE 17 – BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 17 – BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 324,588
Net adjustment for revenue accruals	147,615
Net adjustment for expenditure accruals	(21,709)
Net adjustment for other sources/uses	(42,315)
Funds budgeted elsewhere	(10,067)
Adjustment for encumbrances	278,218
GAAP basis	\$ 676,330

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Special Trust Fund, the Public School Support Fund, the Termination Benefits Fund, and the Management Information System Fund.

**NOTE 18 – CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2017.

**B. Litigation**

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 18 – CONTINGENCIES – (Continued)**

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

**NOTE 19 – SET-ASIDES**

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	137,531
Current year qualifying expenditures	(86,500)
Current year offsets	<u>(179,443)</u>
Total	<u>\$ (128,412)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u><u>\$ -</u></u>

**NOTE 20 – CONTRACTUAL COMMITMENTS**

As of June 30, 2017, the District has commitments with the following companies for the construction project.

Contractor	Contract Amount	Amount Paid as of June 30, 2017	Amount Remaining on Contract
Garmann Miller Architects	\$ 2,759,304	\$ 1,855,997	\$ 903,307
Shook Touchstone	26,199,331	1,963,447	24,235,884
Stan and Associates, Inc.	<u>82,290</u>	<u>21,395</u>	<u>60,895</u>
Total	<u>\$ 29,040,925</u>	<u>\$ 3,840,839</u>	<u>\$ 25,200,086</u>

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

**NOTE 20 – CONTRACTUAL COMMITMENTS – (Continued)**

In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of \$1,565,891 and \$128,070, respectively, for costs incurred prior to fiscal year end on the construction project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded as construction-in-progress in the District’s capital assets (See Note 10).

**NOTE 21 – OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 274,943
Classroom facilities	22,167,756
Other governmental funds	<u>1,481,333</u>
Total	<u>\$ 23,924,032</u>

**NOTE 22 – TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Defiance County provides tax abatements through Enterprise Zone Agreements. Under the agreements, various businesses receive the abatement of property taxes to bring jobs and economic development to the County. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$15,327 during fiscal year 2017.



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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03015130%	0.02919050%	0.02814900%	0.02814900%
District's proportionate share of the net pension liability	\$ 2,206,797	\$ 1,665,638	\$ 1,424,605	\$ 1,673,931
District's covered payroll	\$ 966,364	\$ 878,786	\$ 817,958	\$ 775,217
District's proportionate share of the net pension liability as a percentage of its covered payroll	228.36%	189.54%	174.17%	215.93%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03337650%	0.03466235%	0.03659456%	0.03659456%
District's proportionate share of the net pension liability	\$ 11,172,121	\$ 9,579,660	\$ 8,901,063	\$ 10,602,889
District's covered payroll	\$ 3,532,193	\$ 3,616,436	\$ 3,738,954	\$ 3,891,131
District's proportionate share of the net pension liability as a percentage of its covered payroll	316.29%	264.89%	238.06%	272.49%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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

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

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 154,456	\$ 135,291	\$ 115,824	\$ 113,369
Contributions in relation to the contractually required contribution	<u>(154,456)</u>	<u>(135,291)</u>	<u>(115,824)</u>	<u>(113,369)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,103,257	\$ 966,364	\$ 878,786	\$ 817,958
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 107,290	\$ 106,538	\$ 98,579	\$ 103,598	\$ 74,709	\$ 94,546
<u>(107,290)</u>	<u>(106,538)</u>	<u>(98,579)</u>	<u>(103,598)</u>	<u>(74,709)</u>	<u>(94,546)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 775,217	\$ 792,104	\$ 784,240	\$ 765,126	\$ 759,238	\$ 962,790
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 513,257	\$ 494,507	\$ 506,301	\$ 486,064
Contributions in relation to the contractually required contribution	(513,257)	(494,507)	(506,301)	(486,064)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,666,121	\$ 3,532,193	\$ 3,616,436	\$ 3,738,954
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 505,847	\$ 492,081	\$ 477,230	\$ 471,948	\$ 471,512	\$ 512,594
<u>(505,847)</u>	<u>(492,081)</u>	<u>(477,230)</u>	<u>(471,948)</u>	<u>(471,512)</u>	<u>(512,594)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,891,131	\$ 3,785,238	\$ 3,671,000	\$ 3,630,369	\$ 3,627,015	\$ 3,943,031
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**AYERSVILLE LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

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

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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# Dave Yost • Auditor of State

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

Ayersville Local School District  
Defiance County  
28046 Watson Road  
Defiance, Ohio 43512-8756

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 Ayersville Local School District, Defiance County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 13, 2018.

### ***Internal Control Over Financial Reporting***

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

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

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

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

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 13, 2018



# Dave Yost • Auditor of State

**AYERSVILLE LOCAL SCHOOL DISTRICT**

**DEFIANCE 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  
JUNE 26, 2018**