



Dave Yost • Auditor of State



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

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BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton 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 accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Blanchester Local School District, Clinton County, Ohio, as of June 30, 2017, and the respective changes in financial position 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, required budgetary comparison schedule*, 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.

*Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 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.

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

March 8, 2018

**Blanchester Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited)**

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The discussion and analysis of Blanchester Local School District's 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 notes to the basic financial statements and basic financial statements to enhance their understanding of the District's performance.

### **Financial Highlights**

Key financial highlights for 2017 are as follows:

- Net position of governmental activities decreased \$1,217,511, which represents a 56% decrease from 2016.
- General revenues accounted for \$13,955,098 in revenue or 76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,313,216 or 24% of total revenues of \$18,268,314.
- The District had \$19,485,825 in expenses related to governmental activities; \$4,313,216 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,955,098 were also used to provide for these programs.

### **Overview of the Financial Statements**

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

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

### **Government-wide Financial Statements**

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 Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows* and *liabilities and deferred inflows* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial



**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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and non-financial. 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Fund Financial Statements**

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

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* 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.

**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**The District as a Whole**

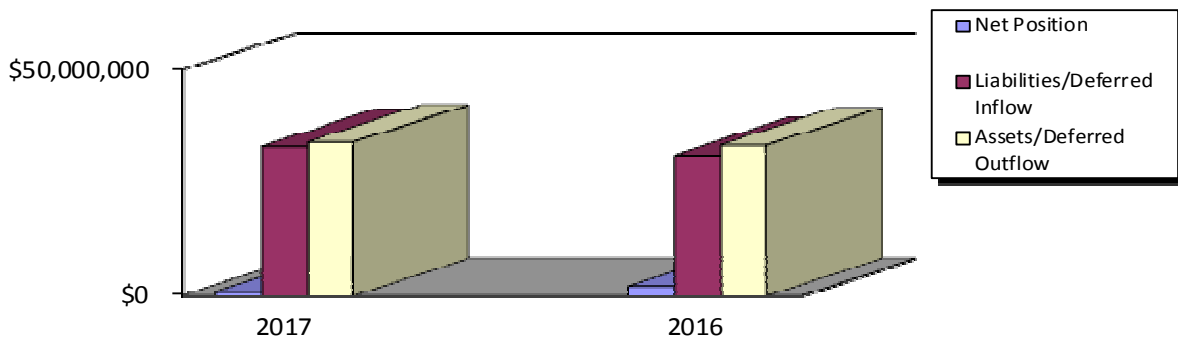
As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2017 compared to 2016:

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**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

**Table 1  
Net Position**

	Governmental Activities	
	2017	2016
Assets:		
Current and Other Assets	\$10,070,674	\$10,145,099
Capital Assets	19,259,048	20,165,838
<b>Total Assets</b>	<b>29,329,722</b>	<b>30,310,937</b>
Deferred Outflows of Resources:		
Pension	4,718,866	3,045,901
<b>Total Deferred Outflows of Resources</b>	<b>4,718,866</b>	<b>3,045,901</b>
Liabilities:		
Other Liabilities	1,620,387	1,848,755
Long-Term Liabilities	27,705,254	23,349,775
<b>Total Liabilities</b>	<b>29,325,641</b>	<b>25,198,530</b>
Deferred Inflows of Resources:		
Property Taxes	3,711,956	3,648,215
Pension	69,208	2,350,799
<b>Total Deferred Inflows of Resources</b>	<b>3,781,164</b>	<b>5,999,014</b>
Net Position:		
Net Investment in Capital Assets	15,847,313	16,286,910
Restricted	762,292	722,804
Unrestricted	(15,667,822)	(14,850,420)
<b>Total Net Position</b>	<b>\$941,783</b>	<b>\$2,159,294</b>



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 \$941,783.

**Blanchester Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
(Unaudited)

At year-end, capital assets represented 66% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$15,847,313. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$762,292 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeding current year additions. Long-term liabilities increased due primarily to the increase in net pension liability in 2017.

Table 2 shows the changes in net position for fiscal years 2017 and 2016.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for Services	\$1,812,896	\$1,941,218
Operating Grants, Contributions	2,500,320	2,469,484
General Revenues:		
Property Taxes	3,289,318	3,351,532
Grants and Entitlements	10,360,064	9,880,969
Other	305,716	254,411
Total Revenues	<u>18,268,314</u>	<u>17,897,614</u>
Program Expenses:		
Instruction	12,046,795	10,671,753
Support Services:		
Pupil and Instructional Staff	1,158,099	1,035,501
School Administrative, General		
Administration, Fiscal and Business	2,102,083	1,960,323
Operations and Maintenance	1,538,577	1,368,593
Pupil Transportation	1,080,876	1,102,592
Central	150,746	129,358
Operation of Non-Instructional Services	808,564	752,511
Extracurricular Activities	493,778	478,738
Interest and Fiscal Charges	106,307	123,458
Bond Issuance Cost	0	36,000
Total Program Expenses	<u>19,485,825</u>	<u>17,658,827</u>
Change in Net Position	(1,217,511)	238,787
Net Position - Beginning of Year	<u>2,159,294</u>	<u>1,920,507</u>
Net Position - End of Year	<u>\$941,783</u>	<u>\$2,159,294</u>

**Blanchester Local School District, Ohio  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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The District revenues are mainly from two sources. Property taxes levied for general, debt service, special revenue and capital projects purposes, and grants and entitlements (not restricted) comprised 75% of the District’s revenues for governmental activities.

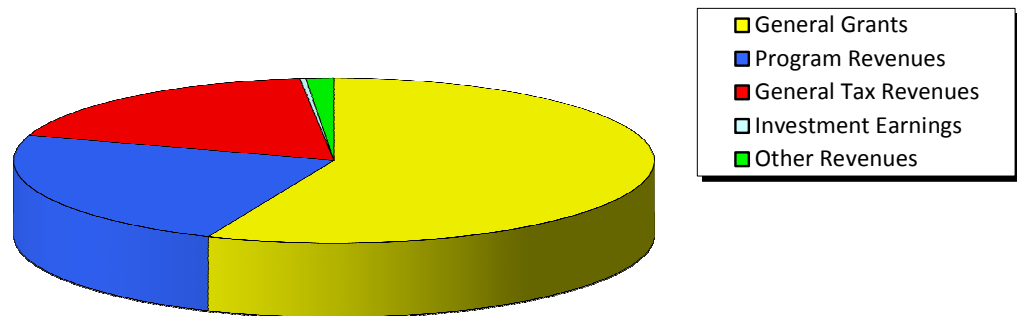
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 18% of revenue for governmental activities for the District in fiscal year 2017.

**Governmental Activities  
Revenue Sources**

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Revenue Sources	2017	Percent of Total
General Grants	\$10,360,064	56.4%
Program Revenues	4,313,216	23.5%
General Tax Revenues	3,289,318	18.4%
Investment Earnings	53,536	0.3%
Other Revenues	252,180	1.4%
Investment Revenues	<u>\$18,268,314</u>	<u>100.0%</u>



Instruction comprises 62% of governmental program expenses. Support services expenses were 31% of governmental program expenses. All other expenses and interest expense was 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating Grants increased in fiscal year 2017 as compared to fiscal year 2016, which was mainly due to an increase in grants monies received. Total expenses increased in fiscal year 2017, mainly due to the increase in instruction expenses from general inflationary factors.

**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$12,046,798	\$10,671,753	(\$8,620,911)	(\$7,242,178)
Support Services:				
Pupil and Instructional Staff	1,158,099	1,035,501	(1,154,099)	(1,030,191)
School Administrative, General				
Administration, Fiscal and Business	2,102,083	1,960,323	(2,050,288)	(1,957,114)
Operations and Maintenance	1,538,577	1,368,593	(1,537,597)	(1,317,973)
Pupil Transportation	1,080,876	1,102,592	(1,033,031)	(1,052,522)
Central	150,746	129,358	(143,546)	(123,468)
Operation of Non-Instructional Services	808,564	752,511	(197,690)	(57,538)
Extracurricular Activities	493,778	478,738	(329,140)	(307,683)
Interest and Fiscal Charges	106,307	123,458	(106,307)	(123,458)
Bond Issuance Cost	0	36,000	0	(36,000)
Total Expenses	<u>\$19,485,828</u>	<u>\$17,658,827</u>	<u>(\$15,172,609)</u>	<u>(\$13,248,125)</u>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of this fund comprised \$8,777,948 (85%) of the total \$10,321,571 governmental fund assets.

**General Fund:** Fund balance at June 30, 2017 was \$4,166,023, an increase in fund balance of \$266,795. The fund balance increased mainly due to an increase in general revenues.

**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 year 2017 the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$17,357,235, compared to original budget estimates of \$16,885,949.

**Blanchester Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
(Unaudited)

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The District's ending unobligated cash balance for the General Fund was \$4,361,953.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the District had \$19,259,048 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

**Table 4**  
**Capital Assets at Year End**  
**(Net of Depreciation)**

---

	Governmental Activities	
	2017	2016
Land	\$474,430	\$474,430
Buildings and Improvements	17,566,011	18,448,723
Equipment	1,218,607	1,242,685
Total Net Capital Assets	<u>\$19,259,048</u>	<u>\$20,165,838</u>

Overall, capital assets decreased due to current year disposals and depreciation expense exceeding current year additions.

See Note 6 to the Basic Financial Statements for further details on the District's capital assets.

**Debt**

At June 30, 2017, the District had \$3,468,783 in bonds payable, \$445,000 due within one year. Table 5 summarizes bonds outstanding at year end.

**Table 5**  
**Outstanding Debt at Year End**

---

	Governmental Activities	
	2017	2016
General Obligation Bonds:		
2006 Refunding Bonds:		
2013 Certificate of Participation	\$1,495,000	\$1,645,000
2013 Capital Appreciation Bonds	34,999	34,999
2013 Capital Appreciation Bonds - Compounding Interest	57,048	39,728
Premium on 2013 Certificate of Participation	58,948	64,843
2016 Refunding Bonds:		
Current Interest Bonds	1,755,000	2,055,000
Premium on 2016 Refunding Bonds	67,788	79,086
Total Outstanding Debt at Year End	<u>\$3,468,783</u>	<u>\$3,918,656</u>

See Note 7 to the Basic Financial Statements for further details on the District's long-term obligations.

**Blanchester Local School District, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)**

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**Economic Outlook**

The Ohio Department of Education explains the school funding model in Ohio as follows:

The funding of K-12 public schools in Ohio is a joint effort between the state and local school districts. Since the 1970s through FY 2009, with the exception of a few years, Ohio's funding formula was foundation based by means of which a per pupil amount determined by the General Assembly as the per-pupil resource for provision of a basic adequate education was multiplied by the number of pupils to determine the base funding of the school districts. From this product, the local share of the basic adequate amount or the charge off was subtracted to arrive at the state share of the base funding. Additional funding was also provided for services targeted to categories of pupils such as handicapped, vocational, gifted, and economically disadvantaged as well as some adjustments and funding guarantees.

The 2010-11 biennial budget (Am. Sub. HBI of the 128th General Assembly) established another new funding formula called the Evidence-Based Model (EBM). Am. Sub. HB 153 of the 129th General Assembly repealed the EBM and implemented a temporary funding formula, the Bridge Formula, for the 12-13 school year as a new funding formula was developed. The State revised the funding model in June, 2013 and adopted HB 59, the FY 14 and FY 15 biennium budget which again changed the district funding formula, but not district funding.

Given the uncertainty of the school funding formula and the economic conditions within the State, the level at which the State will fund schools in the future remains uncertain. The District remains concerned about the instability of the state economy and the political ramifications of changing the funding formula every two years. We plan carefully and prudently to provide resources to meet the needs of our students but the uncertainty of state funding challenges our planning.

**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 the Treasurer at Blanchester Local School District, 951 Cherry Street, Blanchester, Ohio 45107.

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Blanchester Local School District, Ohio  
Statement of Net Position  
June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$5,752,000
Receivables (Net):	
Taxes	4,023,000
Accounts	50,256
Interest	14,804
Intergovernmental	207,534
Prepaid	23,080
Nondepreciable Capital Assets	474,430
Depreciable Capital Assets, Net	<u>18,784,618</u>
 Total Assets	 <u>29,329,722</u>
Deferred Outflows of Resources:	
Pension	<u>4,718,866</u>
 Total Deferred Outflows of Resources	 <u>4,718,866</u>
Liabilities:	
Accounts Payable	120,091
Accrued Wages and Benefits	1,475,327
Contracts Payable	17,488
Accrued Interest Payable	7,481
Long-Term Liabilities:	
Due Within One Year	469,213
Due In More Than One Year:	
Net Pension Liability	24,021,654
Other Amounts	<u>3,214,387</u>
 Total Liabilities	 <u>29,325,641</u>
Deferred Inflows of Resources:	
Property Taxes	3,711,956
Pension	<u>69,208</u>
 Total Deferred Inflows of Resources	 <u>3,781,164</u>
Net Position:	
Net Investment in Capital Assets	15,847,313
Restricted for:	
Debt Service	307,665
Capital Projects	60,404
Classroom Facilities Maintenance	155,292
Extracurricular	57,809
Federal Grants	139,673
Other Purposes	41,449
Unrestricted	<u>(15,667,822)</u>
 Total Net Position	 <u>\$941,783</u>

See accompanying notes to the basic financial statements.



Blanchester Local School District, Ohio  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$7,846,979	\$1,273,301	\$423,996	(\$6,149,682)
Special	2,731,265	160,628	1,433,969	(1,136,668)
Vocational	417,244	0	133,990	(283,254)
Other	1,051,307	0	0	(1,051,307)
<b>Support Services:</b>				
Pupil	557,533	0	4,000	(553,533)
Instructional Staff	600,566	0	0	(600,566)
General Administration	23,782	0	0	(23,782)
School Administration	1,595,366	0	0	(1,595,366)
Fiscal	475,439	0	51,795	(423,644)
Business	7,496	0	0	(7,496)
Operations and Maintenance	1,538,577	343	637	(1,537,597)
Pupil Transportation	1,080,876	0	47,845	(1,033,031)
Central	150,746	0	7,200	(143,546)
Operation of Non-Instructional Services	808,564	213,986	396,888	(197,690)
Extracurricular Activities	493,778	164,638	0	(329,140)
Interest and Fiscal Charges	106,307	0	0	(106,307)
<b>Totals</b>	<b>\$19,485,825</b>	<b>\$1,812,896</b>	<b>\$2,500,320</b>	<b>(15,172,609)</b>

**General Revenues:**

Property Taxes Levied for:

General Purposes	2,780,608
Special Revenue Purposes	57,397
Debt Service Purposes	341,918
Capital Projects Purposes	109,395
Grants and Entitlements, Not Restricted	10,360,064
Unrestricted Contributions	12,840
Investment Earnings	53,536
Other Revenues	239,340

Total General Revenues 13,955,098

Change in Net Position (1,217,511)

Net Position - Beginning of Year 2,159,294

Net Position - End of Year \$941,783

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$5,001,253	\$750,747	\$5,752,000
<b>Receivables (Net):</b>			
Taxes	3,447,170	575,830	4,023,000
Accounts	45,169	5,087	50,256
Interest	14,804	0	14,804
Intergovernmental	0	207,534	207,534
Interfund	248,808	2,089	250,897
Prepaid	20,744	2,336	23,080
<b>Total Assets</b>	<u>8,777,948</u>	<u>1,543,623</u>	<u>10,321,571</u>
<b>Liabilities:</b>			
Accounts Payable	74,662	45,429	120,091
Accrued Wages and Benefits	1,314,316	161,011	1,475,327
Compensated Absences	10,434	0	10,434
Contracts Payable	0	17,488	17,488
Interfund Payable	0	250,897	250,897
<b>Total Liabilities</b>	<u>1,399,412</u>	<u>474,825</u>	<u>1,874,237</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	3,203,685	534,271	3,737,956
Grants and Other Taxes	0	207,534	207,534
Investment Earnings	8,828	0	8,828
<b>Total Deferred Inflows of Resources</b>	<u>3,212,513</u>	<u>741,805</u>	<u>3,954,318</u>
<b>Fund Balances:</b>			
Nonspendable	20,744	2,336	23,080
Restricted	0	655,642	655,642
Committed	11,000	0	11,000
Assigned	3,953,807	0	3,953,807
Unassigned	180,472	(330,985)	(150,513)
<b>Total Fund Balances</b>	<u>4,166,023</u>	<u>326,993</u>	<u>4,493,016</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$8,777,948</u>	<u>\$1,543,623</u>	<u>\$10,321,571</u>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio  
 Reconciliation of Total Governmental Fund Balance to  
 Net Position of Governmental Activities  
 June 30, 2017

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Total Governmental Fund Balance \$4,493,016

Amounts reported for governmental activities in the  
 statement of net position are different because:

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds.

Capital assets used in the operation of Governmental Funds 19,259,048

Other long-term assets are not available to pay for current-  
 period expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	26,000	
Interest	8,828	
Intergovernmental	<u>207,534</u>	
		242,362

In the statement of net position interest payable is accrued when  
 incurred; whereas, in the governmental funds interest is  
 reported as a liability only when it will require the use of  
 current financial resources.

(7,481)

Some liabilities reported in the statement of net position do not  
 require the use of current financial resources and, therefore,  
 are not reported as liabilities in governmental funds.

Compensated Absences (204,383)

Deferred outflows and inflows or resources related to pensions  
 are applicable to future periods and, therefore, are not  
 reported in the funds.

Deferred outflows of resources related to pensions	4,718,866	
Deferred inflows of resources related to pensions	<u>(69,208)</u>	
		4,649,658

Long-term liabilities are not due and payable in the current  
 period and, therefore, are not reported in the funds.

Net Pension Liability	(24,021,654)	
Other Amounts	<u>(3,468,783)</u>	
		<u>(27,490,437)</u>

Net Position of Governmental Activities \$941,783

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$2,930,386	\$489,279	\$3,419,665
Tuition and Fees	1,430,401	0	1,430,401
Investment Earnings	55,123	(2,153)	52,970
Intergovernmental	11,638,761	1,098,360	12,737,121
Extracurricular Activities	4,513	163,653	168,166
Charges for Services	0	214,329	214,329
Other Revenues	169,330	82,850	252,180
<b>Total Revenues</b>	<b>16,228,514</b>	<b>2,046,318</b>	<b>18,274,832</b>
Expenditures:			
Current:			
Instruction:			
Regular	6,134,318	468,884	6,603,202
Special	2,199,090	341,026	2,540,116
Vocational	395,039	0	395,039
Other	1,051,307	0	1,051,307
Support Services:			
Pupil	530,841	66	530,907
Instructional Staff	562,855	0	562,855
General Administration	23,782	0	23,782
School Administration	1,438,722	0	1,438,722
Fiscal	441,763	12,860	454,623
Business	7,496	0	7,496
Operations and Maintenance	1,421,905	3,480	1,425,385
Pupil Transportation	1,004,845	0	1,004,845
Central	131,458	7,698	139,156
Operation of Non-Instructional Services	69,561	726,082	795,643
Extracurricular Activities	300,524	177,705	478,229
Capital Outlay	8,900	172,159	181,059
Debt Service:			
Principal Retirement	150,000	300,000	450,000
Interest and Fiscal Charges	38,098	71,364	109,462
<b>Total Expenditures</b>	<b>15,910,504</b>	<b>2,281,324</b>	<b>18,191,828</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>318,010</b>	<b>(235,006)</b>	<b>83,004</b>
Other Financing Sources (Uses):			
Transfers In	0	51,215	51,215
Transfers (Out)	(51,215)	0	(51,215)
<b>Total Other Financing Sources (Uses)</b>	<b>(51,215)</b>	<b>51,215</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>266,795</b>	<b>(183,791)</b>	<b>83,004</b>
<b>Fund Balance - Beginning of Year</b>	<b>3,899,228</b>	<b>510,784</b>	<b>4,410,012</b>
<b>Fund Balance - End of Year</b>	<b>\$4,166,023</b>	<b>\$326,993</b>	<b>\$4,493,016</b>

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2017

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Net Change in Fund Balance - Total Governmental Funds \$83,004

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	133,299	
Depreciation Expense	<u>(996,635)</u>	(863,336)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	1,203,111	
Cost of benefits earned net of employee contributions	<u>(2,057,707)</u>	(854,596)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Interest	566	
Intergovernmental	<u>168,426</u>	(6,518)

Repayment of bond principal, and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

450,000

In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.

3,282

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	14,234	
Amortization of Bond Premium	17,193	
Bond Accretion	<u>(17,320)</u>	
		<u>14,107</u>

Change in Net Position of Governmental Activities (\$1,217,511)

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2017

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	Private Purpose Trust	Agency
	<u>          </u>	<u>          </u>
Assets:		
Equity in Pooled Cash and Investments	\$165,116	\$34,251
Receivables (Net):		
Interest	396	0
Total Assets	<u>165,512</u>	<u>34,251</u>
Liabilities:		
Accounts Payable	0	163
Other Liabilities	<u>0</u>	<u>34,088</u>
Total Liabilities	<u>0</u>	<u>\$34,251</u>
Net Position:		
Held in Trust	<u>165,512</u>	
Total Net Position	<u>\$165,512</u>	

See accompanying notes to the basic financial statements.

Blanchester Local School District, Ohio  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2017

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	Private Purpose Trust
Additions:	
Donations	\$500
Investment Earnings	311
Total Additions	<u>811</u>
Deductions:	
Scholarships	<u>11,418</u>
Total Deductions	<u>11,418</u>
Change in Net Position	(10,607)
Net Position - Beginning of Year	<u>176,119</u>
Net Position - End of Year	<u><u>\$165,512</u></u>

See accompanying notes to the basic financial statements.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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**Note 1 - Description of the District**

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The Blanchester Local School District ("District") was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 95 classified, 110 certified and eight administrative employees to provide service to 1,710 students and other community members.

**Reporting Entity**

The financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

**Note 2 - Summary of Significant Accounting Policies**

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

**Measurement Focus**

**Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular



**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust is reported using the economic resources measurement focus.

**Fund Accounting**

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

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

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

**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. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's has a private purpose trust fund which accounts for scholarship programs for students.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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The District has a student activity agency fund which accounts for assets and liabilities generated by student managed activities.

**Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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 year end: property taxes available for advance, grants and interest.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, 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. The deferred outflows related to pension are reported on the governmental-wide statement of net position. For more pension related information, see Note 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and grants, other taxes (which includes tax incremental financing 'TIF') and pension. Property

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance year 2018 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. TIF's have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Grants have been recorded as deferred inflows on the governmental fund financial statements. Deferred inflows related to pension are reported on the government-wide statement of net position. For more pension related information, see Note 8.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

**Equity in Pooled Cash and Investments**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Interest revenue credited to the general fund during fiscal year 2017 amounted to \$55,123.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories are accounted for using the purchase method on the fund level statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance assignment in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**Capital Assets**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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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 also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20-40 years
Equipment	3-15 years

**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.

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the amount recorded as compensated absences is the amount due at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

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**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	Per Contract	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	228 days	Per Contract	228 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use 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 when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the District's \$762,292 in restricted net position, none were restricted by enabling legislation.

**Interfund Activity**

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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**Estimates**

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

**Note 3 - Equity in Pooled Cash and Investments**

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The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (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.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling is 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

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2017, \$5,600 of the District’s bank balance of \$351,483 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the District’s name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**Investments**

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

	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>	<u>Weighted Average Maturity (Years)</u>
Negotiable CDs	\$4,934,429	Level 2	1.37
Money Market Funds	811,208	N/A	0.00
Total Fair Value	<u>\$5,745,637</u>		
Portfolio Weighted Average Maturity			1.17

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. The above table identifies the District’s recurring fair value measurements as of June 30, 2017. STAR Ohio is reported at its share price (Net Asset Value per share). All other investments of the District are valued using quoted market prices.

**Interest Rate Risk** - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

**Credit Risk** – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest quality rating issued by nationally recognized statistical rating organizations. The District’s investments in negotiable CDs, municipal bonds, and money market funds were not rated.



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Concentration of Credit Risk – The District’s investment policy allows investments in government sponsored enterprise (GSE) securities. The District has 86% of its investments in Negotiable CDs and 14% in Money Market Funds.

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. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

**Note 4 - Property Taxes**

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Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real and public utility property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on real property at 35 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. The District receives property taxes from Clinton 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 2018 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance \$22,170 in the General Fund and \$3,830 in Other Governmental Funds.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$146,637,490
Public Utility Personal	<u>8,221,870</u>
Total	<u><u>\$154,859,360</u></u>

**Blanchester Local School District, Ohio**  
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**Note 5 – Receivables**

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Receivables at June 30, 2017, consisted of taxes, interest, intergovernmental grants, interfund, and accounts. 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.

**Note 6 - Capital Assets**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<b><i>Capital Assets, not being depreciated:</i></b>				
Land	\$474,430	\$0	\$0	\$474,430
<b><i>Capital Assets, being depreciated:</i></b>				
Buildings and Improvements	33,079,058	0	43,454	33,035,604
Equipment	7,909,625	133,299	0	8,042,924
Totals at Historical Cost	<u>41,463,113</u>	<u>133,299</u>	<u>43,454</u>	<u>41,552,958</u>
Less Accumulated Depreciation:				
Buildings and Improvements	14,630,335	839,258	0	15,469,593
Equipment	6,666,940	157,377	0	6,824,317
Total Accumulated Depreciation	<u>21,297,275</u>	<u>996,635</u>	<u>0</u>	<u>22,293,910</u>
Governmental Activities Capital Assets, Net	<u>\$20,165,838</u>	<u>(\$863,336)</u>	<u>\$43,454</u>	<u>\$19,259,048</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$741,593
Special	72,182
Support Services:	
Pupil	589
School Administration	70,733
Operations and Maintenance	60,104
Pupil Transportation	27,248
Extracurricular Activities	7,620
Non-Instructional Services	16,566
Total Depreciation Expense	<u>\$996,635</u>

**Blanchester Local School District, Ohio**  
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**Note 7 - Long-Term Liabilities**

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2013 Certificate of Participation	\$1,645,000	\$0	\$150,000	\$1,495,000	\$150,000
2013 Capital Appreciation Bonds	34,999	0	0	34,999	0
2013 Capital Appreciation Bonds - Compounding Interest	39,728	17,320	0	57,048	0
Premium on 2013 Certificate of Participation	64,843	0	5,895	58,948	0
2016 Refunding Bonds	2,055,000	0	300,000	1,755,000	295,000
Premium on 2016 Refunding Bonds	79,086	0	11,298	67,788	
Subtotal Bonds	3,918,656	17,320	467,193	3,468,783	445,000
Compensated Absences	218,617	16,884	20,684	214,817	24,213
Subtotal Bonds and Other Amounts	4,137,273	34,204	487,877	3,683,600	469,213
Net Pension Liability					
STRS	15,001,636	3,574,478	0	18,576,114	0
SERS	4,210,866	1,234,674	0	5,445,540	0
Subtotal Net Pension Liability	19,212,502	4,809,152	0	24,021,654	0
Total Long-Term Obligations	<u>\$23,349,775</u>	<u>\$4,843,356</u>	<u>\$487,877</u>	<u>\$27,705,254</u>	<u>\$469,213</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2018	\$445,000	\$84,222	\$0	\$0
2019	475,000	72,322	0	0
2020	175,000	63,347	34,999	120,001
2021	495,000	53,917	0	0
2022	525,000	39,737	0	0
2023-2027	1,135,000	68,879	0	0
Total	<u>\$3,250,000</u>	<u>\$382,424</u>	<u>\$34,999</u>	<u>\$120,001</u>

**Note 8 - 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.

**Blanchester Local School District, Ohio**  
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The net pension liability represents the employer’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.

Ohio Revised Code limits the obligation for this liability to annually required payments. The employer cannot control benefit terms or the manner in which pensions are financed; however, the employer does receive the benefit of employees’ services in exchange for compensation including pension. GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

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

Plan Description – 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 on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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

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of service credit over 30 or \$86.00 multiplied by the years of service credit. 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the employer 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 allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent contribution rate was allocated to the Health Care Fund.

The contractually required contribution to SERS was \$346,551 for fiscal year 2017. Of this amount, \$53,670 is reported as accrued wages and benefits.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 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 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased 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

**Blanchester Local School District, Ohio**  
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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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The employer 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 contractually required contribution to STRS was \$856,560 for fiscal year 2017. Of this amount, \$140,080 is reported as accrued wages and benefits.

**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 proportion of the net pension liability was based on the 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:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,445,540	\$18,576,114	\$24,021,654
Proportion of the Net Pension Liability	0.07440200%	0.05549579%	
Pension Expense	603,449	1,454,258	2,057,707

At June 30, 2017, 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	\$73,448	\$750,564	\$824,012
Changes of assumptions	363,520	0	363,520
Net difference between projected and actual earnings on pension plan investments	449,178	1,542,316	1,991,494
Changes in employer proportionate share of net pension liability	25,718	311,011	336,729
Contributions subsequent to the measurement date	<u>346,551</u>	<u>856,560</u>	<u>1,203,111</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$1,258,415</u></b>	<b><u>\$3,460,451</u></b>	<b><u>\$4,718,866</u></b>
<b>Deferred Inflows of Resources</b>			
Changes in employer proportionate share of net pension liability	<u>69,208</u>	<u>0</u>	<u>69,208</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$69,208</u></b>	<b><u>\$0</u></b>	<b><u>\$69,208</u></b>

\$1,203,111 reported as deferred outflows of resources related to pension resulting from 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:

Fiscal Year			
Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$198,709	\$443,728	\$642,437
2019	198,385	443,728	642,113
2020	316,441	1,035,558	1,351,999
2021	<u>129,121</u>	<u>680,877</u>	<u>809,998</u>
<b>Total</b>	<b><u>\$842,656</u></b>	<b><u>\$2,603,891</u></b>	<b><u>\$3,446,547</u></b>

**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

**Blanchester Local School District, Ohio**  
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subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

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

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

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

**Discount Rate**

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

**Sensitivity of the 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.

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$7,209,555	\$5,445,540	\$3,968,985

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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, including inflation
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.

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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’ 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

**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’ 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.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the 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:

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	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Proportionate share of the net pension liability	\$24,686,146	\$18,576,114	\$13,421,942

**Changes Between Measurement Date and Report Date**

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS 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 the net pension liability is expected to be significant.

**Note 9 - Post Employment Benefits**

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***School Employees Retirement System***

Health Care Plan Description – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2.0% of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District’s contributions assigned to health care for the years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$60,537, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$0, respectively.

**Note 10 - Contingent Liabilities**

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**Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2017.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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**Litigation**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

**Note 11 - Jointly Governed Organizations**

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The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed 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 districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: the Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

The Ohio region 14 state Support Team (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: the Treasurer, Southern Ohio Educational Service District, 3321 Airborne Road, Wilmington, Ohio 45177.

**Note 12 - Related Organization**

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Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, the Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

**Note 13 - Risk Management**

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The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past four years.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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The District provides health insurance to employees through a private carrier. They no longer provide benefits through a self insurance program.

**Note 14 – Accountability**

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The following individual funds had a deficit in fund balance at year end:

	<u>Deficit</u>
Other Governmental Funds:	
Summer Intervention	\$5,124
Vocational Education Enhancement	1,876
Alternative Schools	27,777
Title V	9,564
Miscellaneous Federal Grants	8,094
Food Service	176,934
Special Education	71,783
Title I	29,833

The deficit fund balance in these special revenue funds was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**Note 15 - Set-Asides**

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

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

	<u>Capital Acquisition</u>
Set Aside Reserve Balance as of June 30, 2016	\$0
Current Year Set Aside Requirements	290,475
Qualified Disbursements	(56,900)
Current Year Offsets	<u>(233,575)</u>
Set Aside Reserve Balance as of June 30, 2017	<u>\$0</u>
Restricted Cash as of June 30, 2017	\$0

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits of \$17,701,828 available for carryover to offset capital acquisition requirements of future years.

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

**Note 16 - Interfund Transactions**

Interfund transactions at June 30, 2017, consisted of the following interfund receivable and payable:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$248,808	\$0	\$0	\$51,215
Other Governmental Funds	2,089	250,897	51,215	0
Total All Funds	<u>\$250,897</u>	<u>\$250,897</u>	<u>\$51,215</u>	<u>\$51,215</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**Note 17 – Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepays	<u>\$20,744</u>	<u>\$2,336</u>	<u>\$23,080</u>
Restricted for:			
Local Grants	0	34,479	34,479
Classroom Facilities Maintenance	0	154,349	154,349
Student Activity	0	57,809	57,809
Data Communication	0	6,096	6,096
Miscellaneous State Grants	0	874	874
Career Education	0	3,934	3,934
Drug Free Schools	0	2,089	2,089
Improving Teacher Quality	0	23,349	23,349
Debt Service	0	312,663	312,663
Permanent Improvement	<u>0</u>	<u>60,000</u>	<u>60,000</u>
Total Restricted	<u>0</u>	<u>655,642</u>	<u>655,642</u>
Committed to:			
Permanent Improvements	<u>11,000</u>	<u>0</u>	<u>11,000</u>
Assigned to:			
Public School Support	52,987	0	52,987
Budgetary Variance	3,432,160	0	3,432,160
Encumbrances	<u>468,660</u>	<u>0</u>	<u>468,660</u>
Total Assigned	<u>3,953,807</u>	<u>0</u>	<u>3,953,807</u>
Unassigned (Deficit)	<u>180,472</u>	<u>(330,985)</u>	<u>(150,513)</u>
Total Fund Balance	<u>\$4,166,023</u>	<u>\$326,993</u>	<u>\$4,493,016</u>

**Blanchester Local School District, Ohio**  
**Notes to the Basic Financial Statements**  
**For The Fiscal Year Ended June 30, 2017**

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**Note 18 – Implementation of New Accounting Principles**

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For the fiscal year ended June 30, 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units – An Amendment of GASB No. 14*.

GASB Statement No. 77 establishes improved financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The implementation of GASB Statement No 77 did not have an effect on the financial statements of the District.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

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***REQUIRED SUPPLEMENTARY INFORMATION***

Blanchester Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.05549579%	0.05428084%	0.05407496%	0.05407496%
District's Proportionate Share of the Net Pension Liability	\$18,576,114	\$15,001,636	\$13,152,902	\$15,625,458
District's Covered-Employee Payroll	\$5,917,457	\$5,692,550	\$6,386,862	\$5,211,117
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	313.92%	263.53%	205.94%	299.85%
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 is not available

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

Blanchester Local School District  
 Required Supplementary Information  
 Schedule of the District's Proportionate Share  
 of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.07440200%	0.07379590%	0.07609400%	0.07609400%
District's Proportionate Share of the Net Pension Liability	\$5,445,540	\$4,210,866	\$3,851,074	\$4,526,420
District's Covered-Employee Payroll	\$2,310,650	\$3,009,476	\$2,779,913	\$2,026,619
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	235.67%	139.92%	138.53%	223.35%
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 is not available

Note- Amounts presented as of the District's measurement date which is the prior fiscal year end.

Blanchester Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 State Teachers Retirement System of Ohio  
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$856,560	\$828,444	\$796,957	\$830,292	\$700,596	\$710,376	\$844,056	\$801,804	\$787,404	\$843,612
Contributions in Relation to the Contractually Required Contribution	(856,560)	(828,444)	(796,957)	(830,292)	(700,596)	(710,376)	(844,056)	(801,804)	(787,404)	(843,612)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$6,118,286	\$5,917,457	\$5,692,550	\$6,386,862	\$5,211,117	\$5,291,239	\$5,501,323	\$5,576,054	\$5,350,809	\$5,335,759
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	13.44%	13.43%	15.34%	14.38%	14.72%	15.81%

Blanchester Local School District  
 Required Supplementary Information  
 Schedule of District Contributions  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$346,551	\$323,491	\$396,649	\$385,296	\$370,488	\$342,504	\$365,520	\$341,340	\$319,800	\$314,352
Contributions in Relation to the Contractually Required Contribution	(346,551)	(323,491)	(396,649)	(385,296)	(370,488)	(342,504)	(365,520)	(341,340)	(319,800)	(314,352)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District Covered-Employee Payroll	\$2,475,364	\$2,310,650	\$3,009,476	\$2,779,913	\$2,026,619	\$2,111,360	\$2,247,435	\$2,283,962	\$2,138,394	\$2,059,755
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%	18.28%	16.22%	16.26%	14.95%	14.96%	15.26%

Blanchester Local School District, Ohio  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2017

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,012,454	\$3,096,531	\$2,864,275	(\$232,256)
Revenue in lieu of taxes	0	0	0	0
Tuition and Fees	1,471,249	1,512,311	1,398,880	(113,431)
Investment Earnings	51,558	52,997	49,022	(3,975)
Intergovernmental	12,219,572	12,560,620	11,618,506	(942,114)
Other Revenues	131,116	134,776	124,667	(10,109)
<b>Total Revenues</b>	<b>16,885,949</b>	<b>17,357,235</b>	<b>16,055,350</b>	<b>(1,301,885)</b>
Expenditures:				
Current:				
Instruction:				
Regular	7,835,934	6,444,704	6,252,495	192,209
Special	2,908,229	2,391,887	2,320,551	71,336
Vocational	531,069	436,781	423,754	13,027
Other	1,327,092	1,091,473	1,058,921	32,552
Support Services:				
Pupil	818,397	673,095	653,020	20,075
Instructional Staff	728,832	599,432	581,554	17,878
General Administration	32,140	26,433	25,645	788
School Administration	1,825,485	1,501,380	1,456,602	44,778
Fiscal	556,077	457,348	443,708	13,640
Business	13,915	11,444	11,103	341
Operations and Maintenance	1,872,970	1,540,433	1,494,491	45,942
Pupil Transportation	1,329,090	1,093,116	1,060,515	32,601
Central	170,553	140,273	136,089	4,184
Operation of Non-Instructional Services	26,754	22,004	21,348	656
Extracurricular Activities	378,224	311,073	301,795	9,278
Capital Outlay	71,310	58,649	56,900	1,749
Debt Service:				
Principal Retirement	187,987	154,611	150,000	4,611
Interest and Fiscal Charges	47,746	39,269	38,098	1,171
<b>Total Expenditures</b>	<b>20,661,804</b>	<b>16,993,405</b>	<b>16,486,589</b>	<b>506,816</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,775,855)</b>	<b>363,830</b>	<b>(431,239)</b>	<b>(795,069)</b>
Other Financing Sources (Uses):				
Advances In	164,180	168,762	156,104	(12,658)
Advances (Out)	(237,424)	(195,271)	(189,447)	5,824
Transfers (Out)	(64,185)	(52,789)	(51,215)	1,574
<b>Total Other Financing Sources (Uses)</b>	<b>(137,429)</b>	<b>(79,298)</b>	<b>(84,558)</b>	<b>(5,260)</b>
<b>Net Change in Fund Balance</b>	<b>(3,913,284)</b>	<b>284,532</b>	<b>(515,797)</b>	<b>(800,329)</b>
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	4,877,750	4,877,750	4,877,750	0
<b>Fund Balance - End of Year</b>	<b>\$964,466</b>	<b>\$5,162,282</b>	<b>\$4,361,953</b>	<b>(\$800,329)</b>

See accompanying notes to the required supplementary information.

**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2017**

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**Note 1 – Budgetary Process**

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All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2017.

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

Any budgetary modifications at the fund and function level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. 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 as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2017.

**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2017**

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Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriations and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as an assignment of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations

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

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

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



**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2017**

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3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as an assignment of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.
5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

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

Net Change in Fund Balance	
	General
GAAP Basis	\$266,795
Revenue Accruals	(173,164)
Expenditure Accruals	(62,330)
Advances In	156,104
Advances (Out)	(189,447)
Encumbrances	(514,231)
Funds Budgeted Elsewhere	476
Budget Basis	(\$515,797)

**Note 2 – SERS Changes in Benefits Terms and Assumptions**

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**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: (1) discount rate was reduced from 7.75% to 7.50%, (2) the assumed rate of inflation was reduced from 3.25% to 3.00%, (3) payroll growth assumption was reduced from 4.00% to 3.50%, (4) assumed real wage growth was reduced from 0.75% to 0.50%, (5) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (6) 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, (7) 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 (8) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**Blanchester Local School District, Ohio**  
**Notes to the Required Supplementary Information**  
**For The Fiscal Year Ended June 30, 2017**

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**Note 3 – STRS Changes in Benefits Terms and Assumptions**

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**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 financials for the methods and assumptions in this calculation.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
National School Lunch Program	3L60	10.555	\$ 300,036	\$ 48,213	\$ 300,036	\$ 48,213
National School Breakfast Program	3L70	10.553	89,802	-----	89,802	-----
<i>Total Nutrition Cluster:</i>			389,838	48,213	389,838	48,213
Farm to School Grant		10.574	-	-----	874	-----
<b>Total U.S. Department of Agriculture</b>			<b>389,838</b>	<b>48,213</b>	<b>390,712</b>	<b>48,213</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title 1 - FY 16	3M00	84.010	74,499	-----	66,243	-----
Title 1 - FY 17	3M00	84.010	273,725	-----	303,119	-----
			348,224	-	369,362	-
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B - FY16	3M20	84.027	57,249	-----	55,782	-----
IDEA Part B - FY17	3M20	84.027	252,130	-----	279,146	-----
			309,379	-----	334,928	-----
Educational Handicapped Preschool Preschool Subsidy - FY17	3C50	84.173	5,945	-----	5,945	-----
			5,945	-----	5,945	-----
<i>Total Special Education Cluster</i>			315,324	-----	340,873	-----
Additional Programs:						
Rural and Low Income, Title VI-B	3Y80	84.358	3,074	-----	2,460	-----
Improving Teacher Quality, Title IIA - FY16	3Y60	84.367	9,014	-----	9,162	-----
Improving Teacher Quality, Title IIA - FY17	3Y60	84.367	35,399	-----	39,608	-----
<i>Total Additional Programs</i>			47,487	-----	51,230	-----
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education Basic Grants to States						
Career Education - FY17	N/A	84.048	4,000	-----	66	-----
<i>Total Vocational Education</i>			4,000	-----	66	-----
<b>Total U.S. Department of Education</b>			<b>715,035</b>	<b>-----</b>	<b>761,531</b>	<b>-----</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 1,104,873</b>	<b>\$ 48,213</b>	<b>\$ 1,152,243</b>	<b>\$ 48,213</b>

The accompanying notes to this schedule are an integral part of this schedule.

**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Blanchester Local School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such receipts and expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# 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*

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Blanchester Local School District, Clinton County, (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 March 8, 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 opinion 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

March 8, 2018



# Dave Yost • Auditor of State

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

Blanchester Local School District  
Clinton County  
951 Cherry Street  
Blanchester, Ohio 45107

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited Blanchester Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Blanchester Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

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

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

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

### ***Opinion on each Major Federal Program***

In our opinion, Blanchester Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 8, 2018



**BLANCHESTER LOCAL SCHOOL DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Blanchester Local Schools

951 Cherry Street, Blanchester, Ohio 45107  
937-783-3523 fax 937-783-2990

Darlene Kassner  
Treasurer

Charlotte Kratzer  
Accounts Payable

Rhonda Hedberg  
Payroll

From the Office of the Treasurer

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Nutrition Cluster expenditures not allowable and not approved by Food Service Director	Corrective Action Taken and Finding is Fully Corrected	
2016-001	Appropriations exceeded Estimated Resources in the Debt Service Fund	Corrective Action Taken and Finding is Fully Corrected	



### Board of Education

Todd Bandow  
President

Kyle Wilson  
Vice President

Kathy Gephart  
Member

John Panetta  
Member

Mike Williams  
Member

A District of Excellence

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# Dave Yost • Auditor of State

**BLANCHESTER LOCAL SCHOOL DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 27, 2018**