



Dave Yost • Auditor of State

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY
JUNE 30, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lincolnview Local School District
Van Wert County
15945 Middle Point Road
Van Wert, OH 45891

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, 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, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, Ohio, as of June 30, 2017 and 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2016 the District elected to revise its financial statement presentation from a cash basis comparable to the requirements of *Governmental Auditing Standards* to a basis in accordance with accounting principles generally accepted in the United States (GAAP), which resulted in restatement of beginning net position/fund balances as of July 1, 2015. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 16, 2018

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$1,391,438 which represents a 8.07% increase from fiscal year 2016.
- General revenues accounted for \$9,479,447 in revenue or 73.09% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,489,375 or 26.91% of total revenues of \$12,968,822.
- The District had \$11,577,384 in expenses related to governmental activities; \$3,489,375 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,479,447 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund and the building fund. The general fund had \$10,714,374 in revenues, \$8,982,542 in expenditures and \$5,000,000 in transfers out. During fiscal year 2017, the general fund's fund balance decreased \$3,268,168 from a balance of \$14,427,447 to \$11,159,279.
- The bond retirement fund had \$915,092 in revenues and \$980,523 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance decreased \$65,431 from a balance of \$711,249 to \$645,818.
- The building fund had \$5,000,000 in transfers in and \$247,971 in expenditures. During fiscal year 2017, the building fund's fund balance increased \$4,752,029 from a balance of \$38,965 to \$4,790,994.

Using the Basic 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. In the case of the District, the general fund, the bond retirement fund and the building fund are by far the most significant funds, and the only funds reported as major funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17/38 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. 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. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the 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 than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 19/43 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27/7; of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 82/88 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Assets</u>		
Current and other assets	\$ 23,373,039	\$ 21,839,568
Capital assets, net	<u>21,024,797</u>	<u>21,163,295</u>
Total assets	<u>44,397,836</u>	<u>43,002,863</u>
<u>Deferred outflows</u>		
	<u>2,972,416</u>	<u>1,479,439</u>
<u>Liabilities</u>		
Current liabilities	867,892	784,465
Long-term liabilities	<u>23,376,825</u>	<u>21,322,285</u>
Total liabilities	<u>24,244,717</u>	<u>22,106,750</u>
<u>Deferred inflows</u>		
	<u>4,484,364</u>	<u>5,125,819</u>
<u>Net Position</u>		
Net investment in capital assets	12,426,883	11,878,757
Restricted	6,757,459	2,132,047
Unrestricted (deficit)	<u>(543,171)</u>	<u>3,238,929</u>
Total net position	<u>\$ 18,641,171</u>	<u>\$ 17,249,733</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

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

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

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

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

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

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

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

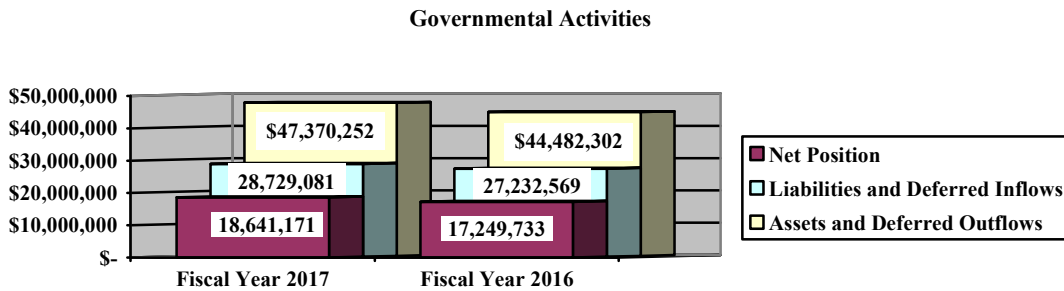
**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

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 exceeded liabilities and deferred inflows by \$18,641,171. Of this total, \$6,757,459 is restricted in use.

At year-end, capital assets represented 47.36% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The District's net investment in capital assets at June 30, 2017, was \$12,426,883. 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.

The graph below shows the changes in net position for fiscal years 2017 and 2016.



The table below shows the changes in net position for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,599,812	\$ 2,664,649
Operating grants and contributions	886,563	937,583
Capital grants and contributions	3,000	11,132
General revenues:		
Property taxes	4,380,976	4,279,626
Payment in lieu of taxes	412,540	423,592
Grants and entitlements	4,538,541	4,535,869
Investment earnings	103,522	51,386
Other	<u>43,868</u>	<u>42,436</u>
Total revenues	<u>12,968,822</u>	<u>12,946,273</u>

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,440,417	\$ 4,073,662
Special	1,684,480	1,374,894
Vocational	138,395	81,066
Other	931,390	875,299
Support services:		
Pupil	269,976	242,974
Instructional staff	280,309	281,987
Board of education	63,688	40,889
Administration	1,102,670	984,141
Fiscal	337,196	325,749
Operations and maintenance	851,951	818,305
Pupil transportation	456,581	443,726
Central	22,386	28,803
Operations of non-instructional services:		
Food service operations	368,047	449,623
Other non-instructional services	37,835	35,203
Extracurricular activities	361,703	328,892
Interest and fiscal charges	<u>230,360</u>	<u>263,887</u>
Total expenses	<u>11,577,384</u>	<u>10,649,100</u>
Change in net position	1,391,438	2,297,173
Net position at beginning of year	<u>17,249,733</u>	<u>14,952,560</u>
Net position at end of year	<u>\$ 18,641,171</u>	<u>\$ 17,249,733</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,391,438. Total governmental expenses of \$11,577,384 were offset by program revenues of \$3,489,375 and general revenues of \$9,479,447. Program revenues supported 30.14% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 68.78% of total governmental revenue.

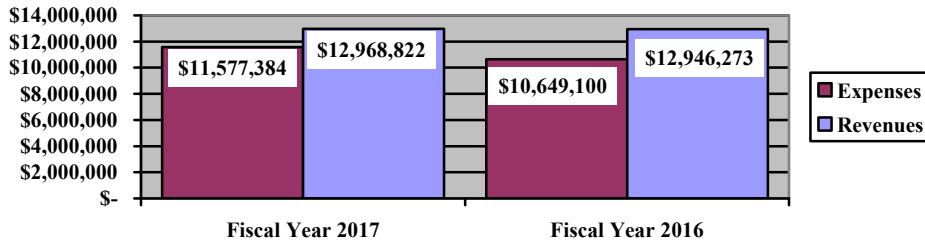
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,194,682 or 62.14% of total governmental expenses for fiscal year 2017.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 4,440,417	\$ 2,239,721	\$ 4,073,662	\$ 1,767,203
Special	1,684,480	1,192,575	1,374,894	877,388
Vocational	138,395	124,327	81,066	62,366
Other	931,390	853,285	875,299	796,577
Support services:				
Pupil	269,976	256,371	242,974	217,451
Instructional staff	280,309	256,837	281,987	257,584
Board of education	63,688	63,688	40,889	40,889
Administration	1,102,670	1,003,936	984,141	905,541
Fiscal	337,196	337,165	325,749	325,368
Operations and maintenance	851,951	847,545	818,305	807,961
Pupil transportation	456,581	439,357	443,726	429,500
Central	22,386	22,386	28,803	28,803
Operations of non-instructional services:				
Food service operations	368,047	(21,468)	449,623	59,738
Other non-instructional services	37,835	9,729	35,203	7,497
Extracurricular activities	361,703	232,195	328,892	187,983
Interest and fiscal charges	<u>230,360</u>	<u>230,360</u>	<u>263,887</u>	<u>263,887</u>
Total expenses	<u>\$ 11,577,384</u>	<u>\$ 8,088,009</u>	<u>\$ 10,649,100</u>	<u>\$ 7,035,736</u>

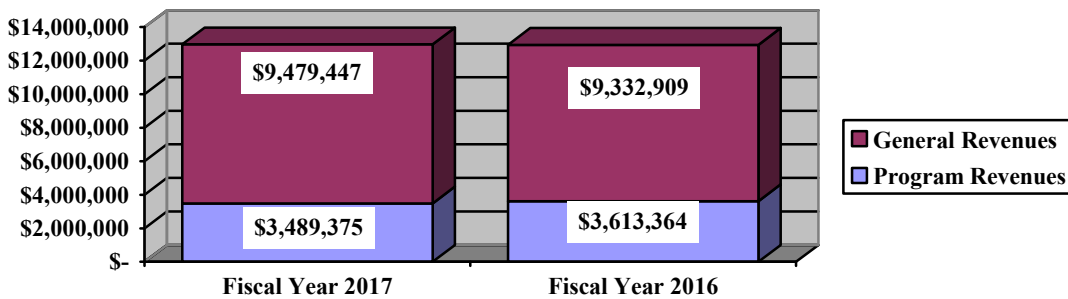
**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent as 61.29% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 69.86%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$17,903,313 which is higher than last year's total fund balance of \$16,560,633. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 11,159,279	\$ 14,427,447	\$ (3,268,168)	(22.65) %
Bond Retirement	645,818	711,249	(65,431)	(9.20) %
Building	4,790,994	38,965	4,752,029	12,195.63 %
Other Governmental	<u>1,307,222</u>	<u>1,382,972</u>	<u>(75,750)</u>	(5.48) %
Total	<u>\$ 17,903,313</u>	<u>\$ 16,560,633</u>	<u>\$ 1,342,680</u>	8.11 %

General Fund

The District's general fund balance decreased \$3,268,168. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,568,325	\$ 3,515,768	\$ 52,557	1.49 %
Earnings on investments	110,065	55,458	54,607	98.47 %
Intergovernmental	4,640,082	4,656,657	(16,575)	(0.36) %
Tuition	2,217,335	2,173,656	43,679	2.01 %
Other revenues	<u>178,567</u>	<u>161,135</u>	<u>17,432</u>	10.82 %
Total	<u>\$ 10,714,374</u>	<u>\$ 10,562,674</u>	<u>\$ 151,700</u>	1.44 %
<u>Expenditures</u>				
Instruction	\$ 5,977,455	\$ 5,602,806	\$ 374,649	6.69 %
Support services	2,836,463	2,782,833	53,630	1.93 %
Extracurricular activities	<u>168,624</u>	<u>154,232</u>	<u>14,392</u>	9.33 %
Total	<u>\$ 8,982,542</u>	<u>\$ 8,539,871</u>	<u>\$ 442,671</u>	5.18 %

The District experienced a \$151,700 or 1.44% increase in general fund revenues and \$442,671 or 5.18% increase in general fund expenditures in the current fiscal year. Earnings on investments increased \$54,607 or 98.47% due to an increase in monies held in investments in fiscal year 2017. Other revenues increased \$17,432 or 10.82% primarily due to the District receiving a larger Marxen science and music donation in the current fiscal year. All other revenues and expenditures were consistent with the prior fiscal year.

Bond Retirement Fund

The bond retirement fund had \$915,092 in revenues and \$980,523 in expenditures. During fiscal year 2017, the bond retirement fund's fund balance decreased \$65,431 from a balance of \$711,249 to \$645,818.

Building Fund

The building fund had \$5,000,000 in transfers in and \$247,971 in expenditures. During fiscal year 2017, the building fund's fund balance increased \$4,752,029 from a balance of \$38,965 to \$4,790,994.

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.

For the general fund, original and final budgeted revenues and other financing sources were \$10,433,709. Actual revenues and other financing sources for fiscal 2017 was \$10,530,140. This represents a \$96,431 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) were \$9,395,650 and final appropriations (appropriated expenditures including other financing uses) were \$14,395,650. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$13,880,525, which was \$515,125 less than the final budget appropriations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$21,024,797 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2017 balances compared to 2016:

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

	Governmental Activities	
	2017	2016
Land	\$ 130,323	\$ 130,323
Construction in progress	267,571	-
Land improvements	1,077,621	1,157,910
Building and improvements	17,985,647	18,357,096
Furniture, fixtures and equipment	1,048,501	1,117,754
Vehicles	515,134	400,212
Total	\$ 21,024,797	\$ 21,163,295

The overall decrease in capital assets of \$138,498 is due to depreciation expense of \$801,455 exceeding capital outlays of \$662,957 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$8,485,000 in general obligation bonds outstanding. Of this total, \$745,000 is due within one year and \$7,740,000 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2017	Governmental Activities 2016
General obligation bonds:		
Series 2015, refunding bonds	\$ 8,485,000	\$ 9,205,000
Total	\$ 8,485,000	\$ 9,205,000

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Current Financial Related Activities

The District is holding its own in a State with declining economy and uncertainty in State funding. Lincolnview is a small rural local school district encompassing 145 square miles in Northwest Ohio. It has a limited number of small and medium businesses with agriculture having a large influence on the economy.

The District is currently operating in the second year of a biennium budget. Per ODE fiscal year 2016 information, approximately 54 percent of the District's receipt source is from local funds, 40 percent is from State funds and the remaining 6 percent is from Federal funds. The total disbursement per pupil was calculated at \$10,086.

Over the past several years, the District has remained in good financial position. Since fiscal year 1997, The District has operated at a surplus for operating purposes meaning that revenues have exceeded expenditures each year since 1997. However, future finances are not without challenges as State funding is revised. Some of these challenges are in the areas of State funding for schools in the light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

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 Mr. Troy Bowersock, Treasurer, Lincolnview Local School District, 15945 Middle Point Road, Van Wert, Ohio 45891.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 18,173,505
Receivables:	
Property taxes	4,412,899
Payment in lieu of taxes	412,540
Accounts.	771
Accrued interest	84
Intergovernmental	341,017
Prepayments	20,976
Materials and supplies inventory.	1,498
Inventory held for resale.	9,749
Capital assets:	
Nondepreciable capital assets	397,894
Depreciable capital assets, net.	20,626,903
Capital assets, net	<u>21,024,797</u>
Total assets.	<u>44,397,836</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	243,911
Pension - STRS	2,114,010
Pension - SERS	614,495
Total deferred outflows of resources.	<u>2,972,416</u>
Liabilities:	
Contracts payable.	39,304
Accrued wages and benefits payable	668,688
Intergovernmental payable	16,404
Pension and postemployment benefits payable.	124,305
Accrued interest payable	19,191
Long-term liabilities:	
Due within one year.	773,875
Due in more than one year:	
Net pension liability	14,241,169
Other amounts due in more than one year	8,361,781
Total liabilities	<u>24,244,717</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,982,735
Payment in lieu of taxes levied for the next fiscal year.	412,540
Pension - STRS.	89,089
Total deferred inflows of resources	<u>4,484,364</u>
Net position:	
Net investment in capital assets	12,426,883
Restricted for:	
Capital projects	5,741,490
Classroom facilities maintenance	104,718
Debt service.	632,032
Extracurricular	50,548
Food service operations.	221,395
Other purposes	7,276
Unrestricted (deficit)	(543,171)
Total net position.	<u>\$ 18,641,171</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 4,440,417	\$ 2,200,696	\$ -	\$ -	\$ (2,239,721)
Special	1,684,480	-	491,905	-	(1,192,575)
Vocational	138,395	-	14,068	-	(124,327)
Other	931,390	-	78,105	-	(853,285)
Support services:					
Pupil	269,976	-	13,605	-	(256,371)
Instructional staff	280,309	-	23,472	-	(256,837)
Board of education	63,688	-	-	-	(63,688)
Administration	1,102,670	94,224	4,510	-	(1,003,936)
Fiscal	337,196	-	-	31	(337,165)
Operations and maintenance	851,951	2,789	-	1,617	(847,545)
Pupil transportation	456,581	-	15,872	1,352	(439,357)
Central	22,386	-	-	-	(22,386)
Operation of non-instructional services:					
Other non-instructional services	37,835	17,410	10,696	-	(9,729)
Food service operations	368,047	168,449	221,066	-	21,468
Extracurricular activities	361,703	116,244	13,264	-	(232,195)
Interest and fiscal charges	230,360	-	-	-	(230,360)
Total governmental activities	\$ 11,577,384	\$ 2,599,812	\$ 886,563	\$ 3,000	(8,088,009)
General revenues:					
Property taxes levied for:					
General purposes					3,375,372
Debt service					815,047
Capital projects					154,759
Special revenue					35,798
Payments in lieu of taxes					412,540
Grants and entitlements not restricted to specific programs					4,538,541
Investment earnings					103,522
Miscellaneous					43,868
Total general revenues					9,479,447
Change in net position					1,391,438
Net position at beginning of year					17,249,733
Net position at end of year					\$ 18,641,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 11,444,567	\$ 566,551	\$ 4,830,298	\$ 1,332,089	\$ 18,173,505
Receivables:					
Property taxes	3,377,540	843,797	-	191,562	4,412,899
Payment in lieu of taxes	211,325	-	-	201,215	412,540
Accounts	540	-	-	231	771
Accrued interest	84	-	-	-	84
Intergovernmental	281,378	-	-	59,639	341,017
Prepayments	20,642	-	-	334	20,976
Materials and supplies inventory	-	-	-	1,498	1,498
Inventory held for resale	-	-	-	9,749	9,749
Due from other funds	24,900	-	-	-	24,900
Total assets	<u>\$ 15,360,976</u>	<u>\$ 1,410,348</u>	<u>\$ 4,830,298</u>	<u>\$ 1,796,317</u>	<u>\$ 23,397,939</u>
Liabilities:					
Contracts payable	\$ -	\$ -	\$ 39,304	\$ -	\$ 39,304
Accrued wages and benefits payable	626,478	-	-	42,210	668,688
Compensated absences payable	8,243	-	-	-	8,243
Intergovernmental payable	15,818	-	-	586	16,404
Pension and postemployment benefits payable	113,509	-	-	10,796	124,305
Due to other funds	-	-	-	24,900	24,900
Total liabilities	<u>764,048</u>	<u>-</u>	<u>39,304</u>	<u>78,492</u>	<u>881,844</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	3,050,191	759,125	-	173,419	3,982,735
Payment in lieu of taxes levied for the next fiscal year	211,325	-	-	201,215	412,540
Delinquent property tax revenue not available	26,758	5,405	-	1,750	33,913
Intergovernmental revenue not available	20,857	-	-	34,219	55,076
Accrued interest not available	84	-	-	-	84
Tuition revenue not available	128,434	-	-	-	128,434
Total deferred inflows of resources	<u>3,437,649</u>	<u>764,530</u>	<u>-</u>	<u>410,603</u>	<u>4,612,782</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory	-	-	-	1,498	1,498
Prepays	20,642	-	-	334	20,976
Restricted:					
Debt service	-	645,818	-	-	645,818
Capital improvements	-	-	4,790,994	949,077	5,740,071
Classroom facilities maintenance	-	-	-	104,387	104,387
Food service operations	-	-	-	225,098	225,098
Other purposes	-	-	-	7,276	7,276
Extracurricular	-	-	-	50,518	50,518
Committed:					
Latchkey program	-	-	-	1,745	1,745
Assigned:					
Student and staff support	39,792	-	-	-	39,792
Other purposes	6	-	-	-	6
Unassigned (deficit)	11,098,839	-	-	(32,711)	11,066,128
Total fund balances	<u>11,159,279</u>	<u>645,818</u>	<u>4,790,994</u>	<u>1,307,222</u>	<u>17,903,313</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 15,360,976</u>	<u>\$ 1,410,348</u>	<u>\$ 4,830,298</u>	<u>\$ 1,796,317</u>	<u>\$ 23,397,939</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Total governmental fund balances		\$ 17,903,313
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,024,797
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 33,913	
Tuition receivable	128,434	
Accrued interest receivable	84	
Intergovernmental receivable	55,076	
Total		217,507
Unamortized premiums on bonds issued are not recognized in the funds.		(317,521)
Unamortized amounts on refundings are not recognized in the funds.		243,911
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(19,191)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred outflows of resources - pension	2,728,505	
Deferred inflows of resources - pension	(89,089)	
Net pension liability	(14,241,169)	
Total		(11,601,753)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(8,485,000)	
Compensated absences	(324,892)	
Total		(8,809,892)
Net position of governmental activities		\$ 18,641,171

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Property taxes	\$ 3,357,000	\$ 811,584	\$ -	\$ 189,268	\$ 4,357,852
Payment in lieu of taxes	211,325	-	-	201,215	412,540
Tuition	2,217,335	-	-	17,410	2,234,745
Earnings on investments	110,065	-	-	1,671	111,736
Charges for services	-	-	-	168,449	168,449
Extracurricular	-	-	-	116,244	116,244
Classroom materials and fees	44,088	-	-	-	44,088
Rental income	2,789	-	-	-	2,789
Contributions and donations	27,945	-	-	29,883	57,828
Other local revenues	103,745	-	-	-	103,745
Intergovernmental - state	4,568,438	103,508	-	76,169	4,748,115
Intergovernmental - federal	71,644	-	-	591,529	663,173
Total revenues	<u>10,714,374</u>	<u>915,092</u>	<u>-</u>	<u>1,391,838</u>	<u>13,021,304</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,741,487	-	-	-	3,741,487
Special	1,319,849	-	-	279,398	1,599,247
Vocational	68,094	-	-	45,577	113,671
Other	848,025	-	-	78,105	926,130
Support services:					
Pupil	234,128	-	-	13,870	247,998
Instructional staff	230,007	-	-	23,592	253,599
Board of education	62,885	-	-	-	62,885
Administration	1,029,552	-	-	4,322	1,033,874
Fiscal	293,232	23,035	188	5,396	321,851
Operations and maintenance	598,189	-	-	85,717	683,906
Pupil transportation	373,232	-	-	193,847	567,079
Central	15,238	-	-	-	15,238
Operation of non-instructional services:					
Other non-instructional services	-	-	-	29,218	29,218
Food service operations	-	-	-	370,786	370,786
Extracurricular activities	168,624	-	-	120,437	289,061
Facilities acquisition and construction	-	-	247,783	217,323	465,106
Debt service:					
Principal retirement	-	720,000	-	-	720,000
Interest and fiscal charges	-	237,488	-	-	237,488
Total expenditures	<u>8,982,542</u>	<u>980,523</u>	<u>247,971</u>	<u>1,467,588</u>	<u>11,678,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,731,832</u>	<u>(65,431)</u>	<u>(247,971)</u>	<u>(75,750)</u>	<u>1,342,680</u>
Other financing sources (uses):					
Transfers in	-	-	5,000,000	-	5,000,000
Transfers (out)	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>
Total other financing sources (uses)	<u>(5,000,000)</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,268,168)	(65,431)	4,752,029	(75,750)	1,342,680
Fund balances at beginning of year	<u>14,427,447</u>	<u>711,249</u>	<u>38,965</u>	<u>1,382,972</u>	<u>16,560,633</u>
Fund balances at end of year	<u>\$ 11,159,279</u>	<u>\$ 645,818</u>	<u>\$ 4,790,994</u>	<u>\$ 1,307,222</u>	<u>\$ 17,903,313</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

Net change in fund balances - total governmental funds	\$	1,342,680
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 662,957	
Current year depreciation	(801,455)	
Total		(138,498)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	23,124	
Tuition	(54,325)	
Earnings on investments	(6,543)	
Intergovernmental	(14,738)	
Total		(52,482)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		720,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,200	
Amortization of bond premiums	25,572	
Amortization of deferred charges	(19,644)	
Total		7,128
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		689,926
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,140,985)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(36,331)
Change in net position of governmental activities	\$	1,391,438

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,303,376	\$ 3,303,376	\$ 3,326,039	\$ 22,663
Payment in lieu of taxes.	206,617	206,617	211,325	4,708
Tuition.	2,139,603	2,139,603	2,142,634	3,031
Earnings on investments	55,458	55,458	110,065	54,607
Classroom materials and fees	39,219	39,219	37,960	(1,259)
Rental income	1,595	1,595	2,789	1,194
Contributions and donations	10,554	10,554	26,306	15,752
Other local revenues	28,407	28,407	17,552	(10,855)
Intergovernmental - state	4,529,123	4,529,123	4,578,421	49,298
Intergovernmental - federal	90,231	90,231	67,923	(22,308)
Total revenues	<u>10,404,183</u>	<u>10,404,183</u>	<u>10,521,014</u>	<u>116,831</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,963,581	4,124,322	3,738,727	385,595
Special.	1,304,891	1,241,583	1,304,171	(62,588)
Vocational.	77,168	74,125	71,913	2,212
Other.	992,607	944,946	847,911	97,035
Support services:				
Pupil.	231,921	218,846	232,613	(13,767)
Instructional staff	263,917	255,136	227,373	27,763
Board of education	76,844	75,304	62,979	12,325
Administration.	975,870	923,312	935,021	(11,709)
Fiscal	318,692	307,656	294,180	13,476
Operations and maintenance.	634,961	639,762	601,310	38,452
Pupil transportation	380,985	418,448	374,263	44,185
Central.	10,617	17,760	15,256	2,504
Extracurricular activities.	161,692	152,546	162,704	(10,158)
Total expenditures	<u>9,393,746</u>	<u>9,393,746</u>	<u>8,868,421</u>	<u>525,325</u>
Excess of revenues over expenditures.	<u>1,010,437</u>	<u>1,010,437</u>	<u>1,652,593</u>	<u>642,156</u>
Other financing sources (uses):				
Refund of prior year's expenditures	4,251	4,251	3,326	(925)
Transfers in	4,500	4,500	4,000	(500)
Transfers (out).	-	(5,000,000)	(5,010,200)	(10,200)
Advances in.	1,800	1,800	1,800	-
Advances (out)	(1,800)	(1,800)	(1,800)	-
Other uses.	(104)	(104)	(104)	-
Sale of capital assets	18,975	18,975	-	(18,975)
Total other financing sources (uses)	<u>27,622</u>	<u>(4,972,378)</u>	<u>(5,002,978)</u>	<u>(30,600)</u>
Net change in fund balance	1,038,059	(3,961,941)	(3,350,385)	611,556
Fund balance at beginning of year	<u>14,780,054</u>	<u>14,780,054</u>	<u>14,780,054</u>	<u>-</u>
Fund balance at end of year	<u>\$ 15,818,113</u>	<u>\$ 10,818,113</u>	<u>\$ 11,429,669</u>	<u>\$ 611,556</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 17,918	\$ 42,068
Total assets.	17,918	\$ 42,068
Liabilities:		
Due to students.	-	\$ 42,068
Total liabilities	-	\$ 42,068
Net position:		
Endowment	5,000	
Held in trust for scholarships	12,918	
Total net position.	\$ 17,918	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 136
Gifts and contributions	1,500
Total additions	1,636
Deductions:	
Scholarships awarded	501
Change in net position	1,135
Net position at beginning of year	16,783
Net position at end of year	\$ 17,918

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

It is staffed by 10 administrators, 34 classified employees and 61 certified teaching personnel, who provide services to 945 students and other community members. The Board oversees the operations of the District’s instructional/support facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam and Van Wert counties and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 4277 East Road, Elida, OH 45807.

Northwestern Ohio Educational Research Council, Inc. (NOERC)

The District is a participant in the Northwestern Ohio Educational Research Council (NOERC), which provides educational entities with a better understanding of their common educational problems, facilitates and conducts practical educational research, coordinates research among members and provides opportunities for training. NOERC serves a twenty-five county area in northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 52, Maria Stein, Ohio 45860-0052.

Vantage Career Center

The Vantage Career Center (the "Center") is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio, 45891.

The District also participates in two group purchasing pools for insurance, described in Note 12.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of property tax revenues for, and payment of, general obligation bonds and principal and interest from governmental resources when the government is obligated in some manner for payment.

Building fund - The building fund is used to account for the receipts and expenditures related to all special bond funds in the District and to account for receipts and expenditures involved in the replacement or updating of equipment essential for the instruction of students. Expenditures recorded in this fund represent the costs of acquiring and improving capital facilities, including real property.

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental 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, is not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 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 Van Wert County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificate of estimated resources issued during the fiscal year.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 is enacted by the Board of Education. 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 must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

F. Cash and Investments

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

During fiscal year 2017, investments were limited to non-negotiable certificates of deposit and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the District, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$110,065, which includes \$12,363 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis. Inventories are accounted for using the consumption method on the government wide financial statements.

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

H. Capital Assets

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

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 acquisition value of the date received. The District maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	10 years

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities columns of the statement of net position.

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation absences 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. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments for sick leave.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance

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

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

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

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

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Position

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

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

N. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, and Deferred Charges on Debt Refunding

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which they are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 10.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss on refunding is amortized over the remaining term of the old debt or the term of the new debt, whichever is shorter, and is presented on the statement of net position as a deferred inflow of resources or a deferred outflow of resources.

O. Prepayments

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Estimates

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

Q. 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 basic financial statements.

R. Pensions

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

S. Extraordinary and Special Items

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 20); however, there was no effect on beginning net position/fund balance.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA- Part B	\$ 17,136
Title I- disadvantaged children	15,575

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At fiscal year end, the District had \$3,550 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.”

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$10,038,910. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2017, \$144,728 of the District’s bank balance of \$10,137,134 was exposed to custodial risk as discussed below, while \$9,992,406 was covered by the FDIC.

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

C. Investments

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

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturities 6 months or less</u>
<i>Amortized Cost:</i>		
STAR Ohio	<u>\$ 8,191,031</u>	<u>\$ 8,191,031</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 8,191,031	100.00

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,038,910
Investments	8,191,031
Cash on hand	<u>3,550</u>
 Total	 <u>\$ 18,233,491</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 18,173,505
Private-purpose trust fund	17,918
Agency funds	<u>42,068</u>
 Total	 <u>\$ 18,233,491</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2017 as reported on the fund statements include the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 24,900</u>

The purpose of amounts due to/from other funds is to cover negative cash balances in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

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

<u>Transfers to building fund from:</u>	<u>Amount</u>
General fund	<u>\$ 5,000,000</u>

Transfers are used to (1) move revenues from the fund state statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Van Wert County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$300,591 in the general fund, \$79,267 in the bond retirement fund, \$3,111 in classroom facilities maintenance fund (a nonmajor governmental fund) and \$13,282 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$269,630 in the general fund, \$61,741 in the bond retirement fund, \$2,839 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$12,126 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 170,828,400	97.50	\$ 172,084,960	96.80
Public utility personal	<u>4,377,070</u>	<u>2.50</u>	<u>5,686,600</u>	<u>3.20</u>
Total	<u>\$ 175,205,470</u>	<u>100.00</u>	<u>\$ 177,771,560</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$50.30		\$50.90	

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, Van Wert County has entered into agreements with property owners under which the County granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The agreements provide for a portion of these payments to be made to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires. The District recorded \$412,540 in payments in lieu of taxes on a modified accrual basis during fiscal year 2017.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 4,412,899
Payment in lieu of taxes	412,540
Accounts	771
Intergovernmental	341,017
Accrued interest	<u>84</u>
 Total receivables	 <u><u>\$ 5,167,311</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 9 - CAPITAL ASSETS

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

	Balance <u>06/30/16</u>	Additions	Disposals	Balance <u>06/30/17</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 130,323	\$ -	\$ -	\$ 130,323
Construction in progress	<u>-</u>	<u>267,571</u>	<u>-</u>	<u>267,571</u>
Total capital assets, not being depreciated	<u>130,323</u>	<u>267,571</u>	<u>-</u>	<u>397,894</u>
Capital assets, being depreciated:				
Land improvements	2,404,548	27,675	-	2,432,223
Buildings and improvements	22,855,070	97,219	-	22,952,289
Furniture, fixtures and equipment	2,379,136	60,369	(11,339)	2,428,166
Vehicles	<u>1,204,053</u>	<u>210,123</u>	<u>(136,059)</u>	<u>1,278,117</u>
Total capital assets, being depreciated	<u>28,842,807</u>	<u>395,386</u>	<u>(147,398)</u>	<u>29,090,795</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,246,638)	(107,964)	-	(1,354,602)
Building and improvements	(4,497,974)	(468,668)	-	(4,966,642)
Furniture, fixtures and equipment	(1,261,382)	(129,622)	11,339	(1,379,665)
Vehicles	<u>(803,841)</u>	<u>(95,201)</u>	<u>136,059</u>	<u>(762,983)</u>
Total accumulated depreciation	<u>(7,809,835)</u>	<u>(801,455)</u>	<u>147,398</u>	<u>(8,463,892)</u>
Governmental activities capital assets, net	<u><u>\$ 21,163,295</u></u>	<u><u>\$ (138,498)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,024,797</u></u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 454,792
Special	21,145
Vocational	20,670
<u>Support Services:</u>	
Pupil	5,683
Instructional staff	11,589
Administration	14,319
Fiscal	2,953
Operations and maintenance	111,875
Pupil transportation	74,524
Central	7,034
Operation of non-instructional services	6,826
Extracurricular activities	67,050
Food service operations	2,995
Total depreciation expense	<u>\$ 801,455</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2017, the following activity occurred in long-term obligations;

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2017</u>	Amounts Due Within <u>One Year</u>
General obligation bonds:					
Series 2015, refunding current interest bonds	\$ 9,205,000	\$ -	\$ (720,000)	\$ 8,485,000	\$ 745,000
Compensated absences	288,561	70,099	(25,525)	333,135	28,875
Net pension liability	<u>11,485,631</u>	<u>2,755,538</u>	<u>-</u>	<u>14,241,169</u>	<u>-</u>
Total	<u>\$ 20,979,192</u>	<u>\$ 2,825,637</u>	<u>\$ (745,525)</u>	23,059,304	<u>\$ 773,875</u>
Add: Unamortized premium on bonds				<u>317,521</u>	
Total on Statement of Net Position				<u>\$ 23,376,825</u>	

Compensated absences - Compensated absences are paid from the fund which the employee is paid which includes the general fund and the following nonmajor governmental funds: food service, special enterprise, IDEA part-B and Title I.

Net Pension Liability - See Note 13 for detail on the District's net pension liability.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2015 refunding bonds - On March 19, 2015, the District issued various purpose refunding bonds (series 2015 refunding bonds) to refund \$3,175,000 of the series 2005 refunding bonds, \$2,460,000 of the series 2006 building improvement bonds, and \$4,370,000 of the series 2006 classroom facilities bonds. The refunding issue is comprised of current interest bonds, par value \$9,470,000. The interest rate on the current interest bonds range from 2 to 3.5 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2029. The bonds will be retired from the bond retirement fund.

The series 2005 refunding bonds in the amount of \$3,175,000 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The series 2005, refunding bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$70,466. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2023 by \$648,924 and resulted in an economic gain of \$558,659.

A portion of the series 2006 building improvement bonds in the amount of \$2,405,000 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The series 2006, building improvement bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$108,423. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2033 by \$860,704 and resulted in an economic gain of \$527,713.

A portion of the series 2006 classroom facilities bonds in the amount of \$4,260,000 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The series 2006, classroom facilities bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$194,180. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2033 by \$1,448,468 and resulted in an economic gain of \$903,983.

The scheduled payments of principal and interest on debt outstanding at June 30, 2017 are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 745,000	\$ 222,837	\$ 967,837
2019	770,000	203,838	973,838
2020	805,000	184,237	989,237
2021	850,000	167,688	1,017,688
2022	880,000	150,387	1,030,387
2023 - 2027	3,330,000	417,844	3,747,844
2028 - 2031	<u>1,105,000</u>	<u>43,062</u>	<u>1,148,062</u>
Total	<u>\$ 8,485,000</u>	<u>\$ 1,389,893</u>	<u>\$ 9,874,893</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$8,160,258 (including available funds of \$645,818) and an unvoted debt margin of \$177,772.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 190 days for eligible personnel. Upon retirement, payment is made for 25% of accrued, but unused sick leave credit up to a maximum of 30 days for classified staff. For certified staff, payment is made for 25% of accrued, but unused sick leave credit up to a maximum of 35 days. Certified staff will receive 3.33% of all days in excess of 140 days to a maximum of \$1,000 for the second tier calculation.

B. Health Care Benefits

The District provides medical, dental, vision and life insurance to all employees through the Van Wert Area School Insurance Group (Note 12). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies depending on the terms of the union contract.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District contracted for the following insurance coverage through the Phelan Insurance Agency:

Commercial property contents - replacement cost (\$2,500 deductible)	\$37,169,630
General liability (\$2,000,000 aggregate)	1,000,000
Per occurrence (includes \$4,000,000 umbrella)	5,000,000
Total per year	6,000,000
 Errors and omissions (\$2,500 deductible)	 1,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three year fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2016.

GROUP PURCHASING POOLS

Ohio School Comp Group Rating Program (GRP) - The District participates in a group rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Ohio School Board Association and the Ohio Association of School Business Officials as a group insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

The intent of the Program is to achieve the benefit of a reduced premium for the District by reducing the District's individual rate based on prior claims. The District pays its workers' compensation premium to the State based on the individual rate and may also pay additional workers' compensation assessments. The District may also be available to receive a refund for overpayment of premiums.

The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP

Van Wert Area School Insurance Group (VWASIG) - The VWASIG is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Aetna through a Third Party Administrator, Huntington Insurance. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

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

The District’s contractually required contribution to SERS was \$136,284 for fiscal year 2017. Of this amount, \$8,645 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$553,642 for fiscal year 2017. Of this amount, \$93,580 is reported as pension and postemployment benefits payable.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.03214680%	0.03492158%	
Proportion of the net pension liability current measurement date	<u>0.03293210%</u>	<u>0.03534442%</u>	
Change in proportionate share	<u>0.00078530%</u>	<u>0.00042284%</u>	
Proportionate share of the net pension liability	\$ 2,410,326	\$ 11,830,843	\$ 14,241,169
Pension expense	\$ 297,666	\$ 843,319	\$ 1,140,985

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 32,510	\$ 478,023	\$ 510,533
Net difference between projected and actual earnings on pension plan investments	198,819	982,279	1,181,098
Changes of assumptions	160,903	-	160,903
Difference between District contributions and proportionate share of contributions/ change in proportionate share	85,979	100,066	186,045
District contributions subsequent to the measurement date	<u>136,284</u>	<u>553,642</u>	<u>689,926</u>
Total deferred outflows of resources	<u>\$ 614,495</u>	<u>\$ 2,114,010</u>	<u>\$ 2,728,505</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	\$ -	\$ 89,089	\$ 89,089
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 89,089</u>	<u>\$ 89,089</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$689,926 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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:	SERS	STRS	Total
2018	\$ 134,729	\$ 226,530	\$ 361,259
2019	134,589	226,531	361,120
2020	151,741	603,457	755,198
2021	57,152	414,761	471,913
Total	\$ 478,211	\$ 1,471,279	\$ 1,949,490

Actuarial Assumptions - SERS

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

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,191,121	\$ 2,410,326	\$ 1,756,768

Actuarial Assumptions - STRS

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

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

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' 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:

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,722,229	\$ 11,830,843	\$ 8,548,229

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$17,095.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$17,095, \$16,432, and \$15,174, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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 or by calling (888) 227-7877.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (3,350,385)
Net adjustment for revenue accruals	99,136
Net adjustment for expenditure accruals	(22,546)
Net adjustment for other sources/uses	2,978
Funds budgeted elsewhere	2,649
GAAP basis	\$ (3,268,168)

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund and the public school support fund.

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	156,381
Current year qualifying expenditures	(76,852)
Current year offsets	<u>(253,745)</u>
Total	<u>\$ (174,216)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u><u>\$ -</u></u>

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

There are no legal matters in litigation with the District as defendant.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

NOTE 17 - CONTINGENCIES - (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional 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 District, which can extend past the fiscal year-end. The foundation funding for the District was adjusted and resulted in an amount of \$305 due from the District.

NOTE 18 - ENDOWMENTS

The District's private-purpose trust fund included a donor restricted endowment. The endowment, in the amount of \$5,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$1,135 for 2017 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used for the special education program.

NOTE 19 - SERVICE CONTRACT COMMITMENTS

The District has entered into contracts with Marsh Foundation School. The students who attend Marsh Foundation School are by court order or other placement. The school is located in the District and these students are entitled to an education from the District by State law. The District provides materials and teaching personnel for the education of these students. They are then reimbursed for the excess costs at the end of the fiscal year.

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Enterprise Zones

Van Wert County entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by \$34,929 during fiscal year 2017.

NOTE 21 - SUBSEQUENT EVENT

On August 7, 2017, the District approved to award a construction contract to Muhlenkamp Building Corporation for the construction of the 'Lincolnview Community Center' and a bus garage addition for \$4,023,589.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03293210%	0.03214680%	0.03027700%	0.03027700%
District's proportionate share of the net pension liability	\$ 2,410,326	\$ 1,834,328	\$ 1,532,302	\$ 1,800,476
District's covered-employee payroll	\$ 1,060,386	\$ 967,785	\$ 879,784	\$ 916,452
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.31%	189.54%	174.17%	196.46%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03534442%	0.03492158%	0.03547837%	0.03547837%
District's proportionate share of the net pension liability	\$ 11,830,843	\$ 9,651,303	\$ 8,629,567	\$ 10,279,484
District's covered-employee payroll	\$ 3,755,657	\$ 3,719,914	\$ 3,624,908	\$ 3,679,262
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	315.01%	259.45%	238.06%	279.39%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 136,284	\$ 148,454	\$ 127,554	\$ 121,938
Contributions in relation to the contractually required contribution	<u>(136,284)</u>	<u>(148,454)</u>	<u>(127,554)</u>	<u>(121,938)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 973,457	\$ 1,060,386	\$ 967,785	\$ 879,784
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 126,837	\$ 122,844	\$ 114,907	\$ 119,031	\$ 82,971	\$ 79,568
<u>(126,837)</u>	<u>(122,844)</u>	<u>(114,907)</u>	<u>(119,031)</u>	<u>(82,971)</u>	<u>(79,568)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 916,452	\$ 913,338	\$ 914,137	\$ 879,106	\$ 843,201	\$ 810,265
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 553,642	\$ 525,792	\$ 520,788	\$ 471,238
Contributions in relation to the contractually required contribution	<u>(553,642)</u>	<u>(525,792)</u>	<u>(520,788)</u>	<u>(471,238)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,954,586	\$ 3,755,657	\$ 3,719,914	\$ 3,624,908
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 478,304	\$ 483,514	\$ 507,560	\$ 517,205	\$ 505,948	\$ 493,473
<u>(478,304)</u>	<u>(483,514)</u>	<u>(507,560)</u>	<u>(517,205)</u>	<u>(505,948)</u>	<u>(493,473)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,679,262	\$ 3,719,338	\$ 3,904,308	\$ 3,978,500	\$ 3,891,908	\$ 3,795,946
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management's discussion and analysis of the Lincolnview Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$2,297,173 which represents a 15.36% increase from 2015's restated net position.
- General revenues accounted for \$9,332,909 in revenue or 72.09% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$3,613,364 or 27.91% of total revenues of \$12,946,273.
- The District had \$10,649,100 in expenses related to governmental activities; \$3,613,364 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,332,909 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$10,562,674 in revenues and \$8,539,871 in expenditures. During fiscal year 2016, the general fund's fund balance increased \$2,022,803 from a balance of \$12,404,644 to \$14,427,447.
- The bond retirement fund had \$912,411 in revenues and \$1,040,021 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance decreased \$127,610 from a balance of \$838,859 to \$711,249.

Using the Basic 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. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only funds reported as major funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the 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 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 79-80 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 74. 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. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the 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 than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 81-85 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 86 and 87. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 89-124 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 125-131 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015. The net position at June 30, 2015 was restated as described in Note 3.

	Net Position	
	Governmental Activities <u>2016</u>	Restated Governmental Activities <u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 21,839,568	\$ 20,005,363
Capital assets, net	<u>21,163,295</u>	<u>21,846,765</u>
Total assets	<u>43,002,863</u>	<u>41,852,128</u>
<u>Deferred outflows</u>		
	<u>1,479,439</u>	<u>1,027,661</u>
<u>Liabilities</u>		
Current liabilities	784,465	819,455
Long-term liabilities	<u>21,322,285</u>	<u>20,793,861</u>
Total liabilities	<u>22,106,750</u>	<u>21,613,316</u>
<u>Deferred inflows</u>		
	<u>5,125,819</u>	<u>6,313,913</u>
<u>Net Position</u>		
Net investment in capital assets	11,878,757	12,048,550
Restricted	2,132,047	1,815,471
Unrestricted	<u>3,238,929</u>	<u>1,088,539</u>
Total net position	<u>\$ 17,249,733</u>	<u>\$ 14,952,560</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

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

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

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

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

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

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

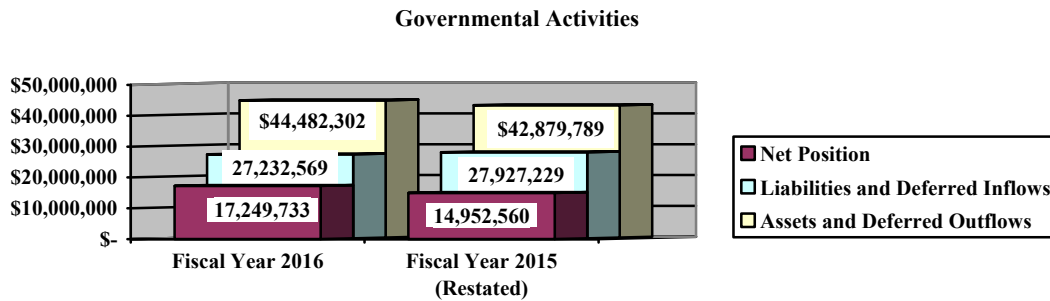
**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$17,249,733. Of this total, \$2,132,047 is restricted in use.

At year-end, capital assets represented 49.21% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. The District's net investment in capital assets at June 30, 2016, was \$11,878,757. 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.

The graph below shows the changes in net position for fiscal years 2016 and 2015.



The table below shows the changes in net position for fiscal years 2016 and 2015.

Change in Net Position

	Governmental Activities 2016	Restated Governmental Activities 2015
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,664,649	\$ 2,422,661
Operating grants and contributions	937,583	1,117,755
Capital grants and contributions	11,132	32,178
General revenues:		
Property taxes	4,279,626	3,945,189
Payment in lieu of taxes	423,592	281,046
Grants and entitlements	4,535,869	4,497,228
Investment earnings	51,386	36,288
Other	42,436	59,012
Total revenues	12,946,273	12,391,357

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2016</u>	<u>2015</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,073,662	\$ 4,211,467
Special	1,374,894	1,479,266
Vocational	81,066	137,074
Adult education	-	629
Other	875,299	854,256
Support services:		
Pupil	242,974	211,244
Instructional staff	281,987	269,875
Board of education	40,889	73,634
Administration	984,141	831,614
Fiscal	325,749	322,909
Operations and maintenance	818,305	787,723
Pupil transportation	443,726	441,650
Central	28,803	18,679
Operations of non-instructional services:		
Food service operations	449,623	338,504
Other non-instructional services	35,203	37,725
Extracurricular activities	328,892	329,371
Interest and fiscal charges	<u>263,887</u>	<u>436,891</u>
Total expenses	<u>10,649,100</u>	<u>10,782,511</u>
Special item - OFCC closeout	<u>-</u>	<u>(235,522)</u>
Change in net position	2,297,173	1,373,324
Net position at beginning of year (restated)	<u>14,952,560</u>	<u>13,579,236</u>
Net position at end of year	<u>\$ 17,249,733</u>	<u>\$ 14,952,560</u>

Governmental Activities

Net position of the District's governmental activities increased \$2,297,173. Total governmental expenses of \$10,649,100 were offset by program revenues of \$3,613,364 and general revenues of \$9,332,909. Program revenues supported 33.93% of the total governmental expenses.

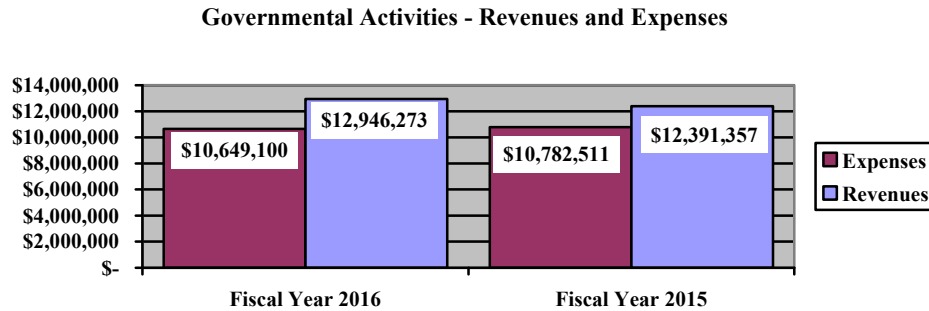
The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 68.09% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,404,921 or 60.15% of total governmental expenses for fiscal year 2016.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.



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

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	\$ 4,073,662	\$ 1,767,203	\$ 4,211,467	\$ 1,902,975
Special	1,374,894	877,388	1,479,266	941,611
Vocational	81,066	62,366	137,074	119,489
Adult education	-	-	629	629
Other	875,299	796,577	854,256	854,256
Support services:				
Pupil	242,974	217,451	211,244	195,009
Instructional staff	281,987	257,584	269,875	244,139
Board of education	40,889	40,889	73,634	73,634
Administration	984,141	905,541	831,614	749,022
Fiscal	325,749	325,368	322,909	322,263
Operations and maintenance	818,305	807,961	787,723	779,364
Pupil transportation	443,726	429,500	441,650	401,495
Central	28,803	28,803	18,679	18,679
Operations of non-instructional services:				
Food service operations	449,623	59,738	338,504	(50,373)
Other non-instructional services	35,203	7,497	37,725	7,460
Extracurricular activities	328,892	187,983	329,371	213,374
Interest and fiscal charges	263,887	263,887	436,891	436,891
Total expenses	<u>\$ 10,649,100</u>	<u>\$ 7,035,736</u>	<u>\$ 10,782,511</u>	<u>\$ 7,209,917</u>

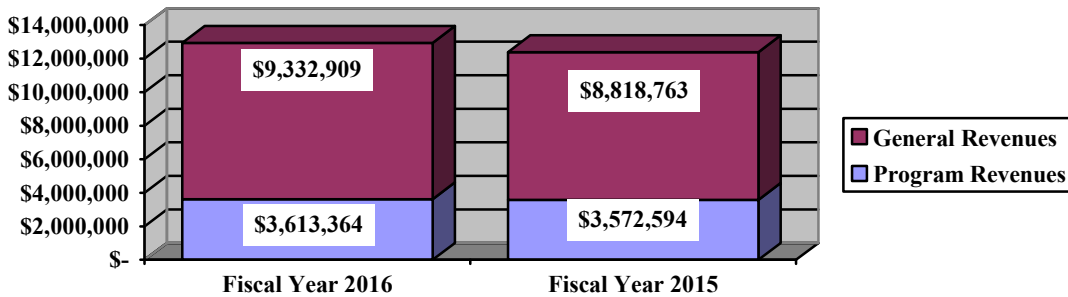
**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent as 54.70% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 66.07%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$16,560,633 which is higher than last year's restated total fund balance of \$14,415,073. The District restated June 30, 2015 balances for the application of GAAP as described in Note 3.A. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Restated Fund Balance <u>June 30, 2015</u>	Increase (Decrease)	Percentage Change
General	\$ 14,427,447	\$ 12,404,644	\$ 2,022,803	16.31 %
Bond Retirement	711,249	838,859	(127,610)	(15.21) %
Other Governmental	<u>1,421,937</u>	<u>1,171,570</u>	<u>250,367</u>	21.37 %
Total	<u>\$ 16,560,633</u>	<u>\$ 14,415,073</u>	<u>\$ 2,145,560</u>	14.88 %

General Fund

The District's general fund balance increased \$2,022,803. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,515,768	\$ 3,047,926	\$ 467,842	15.35 %
Earnings on investments	55,458	31,860	23,598	74.07 %
Intergovernmental	4,656,657	4,624,266	32,391	0.70 %
Tuition	2,173,656	1,967,308	206,348	10.49 %
Other revenues	<u>161,135</u>	<u>178,181</u>	<u>(17,046)</u>	<u>(9.57) %</u>
Total	<u>\$ 10,562,674</u>	<u>\$ 9,849,541</u>	<u>\$ 713,133</u>	<u>7.24 %</u>
<u>Expenditures</u>				
Instruction	\$ 5,602,806	\$ 6,020,780	\$ (417,974)	(6.94) %
Support services	2,782,833	2,617,294	165,539	6.32 %
Extracurricular activities	<u>154,232</u>	<u>149,315</u>	<u>4,917</u>	<u>3.29 %</u>
Total	<u>\$ 8,539,871</u>	<u>\$ 8,787,389</u>	<u>\$ (247,518)</u>	<u>(2.82) %</u>

The District experienced a \$713,133 or 7.24% increase in general fund revenues and \$247,518 or 2.82% decrease in general fund expenditures in the current fiscal year. Property taxes increased \$467,842 or 15.35% mainly due to the increase in collections as a result of increases in assessed valuations. Tuition increased \$206,348 or 10.49% due to the District receiving an increase in tuition revenue from marsh foundation. Earnings on investments increased \$23,598 or 74.07% due to an increase in monies held in investments in fiscal year 2016. All other revenues and expenditures were consistent with the prior fiscal year.

Bond Retirement Fund

The bond retirement fund had revenues of \$912,411 and expenditures of \$1,040,021. The bond retirement fund's fund balance decreased \$127,610 from \$838,859 to \$711,249.

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.

For the general fund, original budgeted revenues and other financing sources were \$10,181,987 and final budgeted revenues and other financing sources were \$10,116,987. Actual revenues and other financing sources for fiscal 2016 was \$10,408,184. This represents a \$291,197 increase from final budgeted revenues.

General fund original appropriations and final appropriations (appropriated expenditures including other financing uses) were \$9,182,000. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$8,561,702, which was \$620,298 less than the final budget appropriations.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2016, the District had \$21,163,295 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2016 balances compared to 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 130,323	\$ 130,323
Land improvements	1,157,910	1,255,360
Building and improvements	18,357,096	18,821,596
Furniture, fixtures and equipment	1,117,754	1,160,680
Vehicles	400,212	478,806
Total	\$ 21,163,295	\$ 21,846,765

The overall decrease in capital assets of \$683,470 is due to depreciation expense of \$794,052 and disposals of \$3,161 (net of accumulated depreciation) exceeding capital outlays of \$113,743 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2016, the District had \$9,205,000 in general obligation bonds outstanding. Of this total, \$720,000 is due within one year and \$8,485,000 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2016	Governmental Activities 2015
	General obligation bonds:	
Series 2005, refunding bonds	\$ -	\$ 300,540
Series 2006, building improvement bonds	-	65,000
Series 2006, classroom facilities bonds	-	115,000
Series 2015, refunding bonds	9,205,000	9,470,000
Total	\$ 9,205,000	\$ 9,950,540

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Current Financial Related Activities

The District is holding its own in a State with declining economy and uncertainty in State funding. Lincolnview is a small rural local school district encompassing 145 square miles in Northwest Ohio. It has a limited number of small and medium businesses with agriculture having a large influence on the economy.

The District is currently operating in the first year of a biennium budget. Per ODE fiscal year 2015 information, approximately 51 percent of the District's receipt source is from local funds, 45 percent is from State funds and the remaining 4 percent is from Federal funds. The total disbursement per pupil was calculated at \$9,618.

Over the past several years, the District has remained in good financial position. Since fiscal year 1997, The District has operated at a surplus meaning that revenues have exceeded expenditures each year since 1997. However, future finances are not without challenges as State funding is revised. Some of these challenges are in the areas of State funding for schools in the light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

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 Mr. Troy Bowersock, Treasurer, Lincolnview Local School District, 15945 Middle Point Road, Van Wert, Ohio 45891.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments.	\$ 16,885,215
Receivables:	
Property taxes	4,193,905
Payment in lieu of taxes	408,092
Accounts.	217,735
Accrued interest	6,627
Intergovernmental	108,770
Prepayments	11,308
Materials and supplies inventory.	784
Inventory held for resale.	7,132
Capital assets:	
Nondepreciable capital assets	130,323
Depreciable capital assets, net.	21,032,972
Capital assets, net	<u>21,163,295</u>
Total assets.	<u>43,002,863</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	263,555
Pension - STRS	966,746
Pension - SERS	249,138
Total deferred outflows of resources.	<u>1,479,439</u>
Liabilities:	
Accounts payable.	153
Accrued wages and benefits payable	631,146
Intergovernmental payable	8,158
Pension and postemployment benefits payable.	124,617
Accrued interest payable	20,391
Long-term liabilities:	
Due within one year.	740,413
Due in more than one year:	
Net pension liability	11,485,631
Other amounts due in more than one year	9,096,241
Total liabilities	<u>22,106,750</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,836,780
Payment in lieu of taxes levied for the next fiscal year.	408,092
Pension - STRS.	831,688
Pension - SERS.	49,259
Total deferred inflows of resources	<u>5,125,819</u>
Net position:	
Net investment in capital assets	11,878,757
Restricted for:	
Capital projects	1,020,110
Classroom facilities maintenance	114,029
Debt service.	692,800
Locally funded programs	42,000
State funded programs.	4,380
Federally funded programs	4,530
Student activities	41,477
Other purposes	212,721
Unrestricted	3,238,929
Total net position.	<u>\$ 17,249,733</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction:						
Regular	\$ 4,073,662	\$ 2,262,457	\$ 42,000	\$ 2,002	\$ (1,767,203)	
Special	1,374,894	-	497,506	-	(877,388)	
Vocational	81,066	-	18,700	-	(62,366)	
Other	875,299	-	78,722	-	(796,577)	
Support services:						
Pupil	242,974	-	25,523	-	(217,451)	
Instructional staff	281,987	-	24,403	-	(257,584)	
Board of education	40,889	-	-	-	(40,889)	
Administration	984,141	77,082	1,518	-	(905,541)	
Fiscal	325,749	-	-	381	(325,368)	
Operations and maintenance	818,305	1,595	-	8,749	(807,961)	
Pupil transportation	443,726	-	14,226	-	(429,500)	
Central	28,803	-	-	-	(28,803)	
Operation of non-instructional services:						
Other non-instructional services	35,203	16,731	10,975	-	(7,497)	
Food service operations	449,623	173,904	215,981	-	(59,738)	
Extracurricular activities	328,892	132,880	8,029	-	(187,983)	
Interest and fiscal charges	263,887	-	-	-	(263,887)	
Total governmental activities	\$ 10,649,100	\$ 2,664,649	\$ 937,583	\$ 11,132	(7,035,736)	
General revenues:						
Property taxes levied for:						
General purposes					3,294,312	
Debt service					799,743	
Capital projects					150,649	
Special revenue					34,922	
Payments in lieu of taxes					423,592	
Grants and entitlements not restricted to specific programs					4,535,869	
Investment earnings					51,386	
Miscellaneous					42,436	
Total general revenues					9,332,909	
Change in net position					2,297,173	
Net position at beginning of year (restated)					14,952,560	
Net position at end of year					\$ 17,249,733	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 14,800,816	\$ 649,508	\$ 1,434,891	\$ 16,885,215
Receivables:				
Property taxes	3,311,762	702,280	179,863	4,193,905
Payment in lieu of taxes	206,617	-	201,475	408,092
Accounts	217,704	-	31	217,735
Accrued interest	6,627	-	-	6,627
Intergovernmental	44,507	-	64,263	108,770
Prepayments	11,308	-	-	11,308
Materials and supplies inventory	-	-	784	784
Inventory held for resale	-	-	7,132	7,132
Due from other funds	16,452	-	-	16,452
Total assets	<u>\$ 18,615,793</u>	<u>\$ 1,351,788</u>	<u>\$ 1,888,439</u>	<u>\$ 21,856,020</u>
Liabilities:				
Accounts payable	\$ 153	\$ -	\$ -	\$ 153
Accrued wages and benefits payable	590,569	-	40,577	631,146
Intergovernmental payable	7,591	-	567	8,158
Pension and postemployment benefits payable	111,831	-	12,786	124,617
Due to other funds	-	-	16,452	16,452
Total liabilities	<u>710,144</u>	<u>-</u>	<u>70,382</u>	<u>780,526</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,033,746	638,597	164,437	3,836,780
Payment in lieu of taxes levied for the next fiscal year	206,617	-	201,475	408,092
Delinquent property tax revenue not available	8,386	1,942	461	10,789
Intergovernmental revenue not available	40,067	-	29,747	69,814
Accrued interest not available	6,627	-	-	6,627
Tuition revenue not available	182,759	-	-	182,759
Total deferred inflows of resources	<u>3,478,202</u>	<u>640,539</u>	<u>396,120</u>	<u>4,514,861</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	784	784
Prepays	11,308	-	-	11,308
Restricted:				
Debt service	-	711,249	-	711,249
Capital improvements	-	-	1,019,736	1,019,736
Classroom facilities maintenance	-	-	113,942	113,942
Food service operations	-	-	207,352	207,352
Other purposes	-	-	48,979	48,979
Extracurricular	-	-	41,477	41,477
Committed:				
Latchkey program	-	-	3,001	3,001
Assigned:				
Student and staff support	37,030	-	-	37,030
Other purposes	119	-	-	119
Unassigned (deficit)	14,378,990	-	(13,334)	14,365,656
Total fund balances	<u>14,427,447</u>	<u>711,249</u>	<u>1,421,937</u>	<u>16,560,633</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 18,615,793</u>	<u>\$ 1,351,788</u>	<u>\$ 1,888,439</u>	<u>\$ 21,856,020</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		\$	16,560,633
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,163,295
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	10,789	
Tuition receivable		182,759	
Accrued interest receivable		6,627	
Intergovernmental receivable		69,814	
Total		269,989	269,989
Unamortized premiums on bonds issued are not recognized in the funds.			(343,093)
Unamortized amounts on refundings are not recognized in the funds.			263,555
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(20,391)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		1,215,884	
Deferred inflows of resources - pension		(880,947)	
Net pension liability		(11,485,631)	
Total		(11,150,694)	(11,150,694)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(9,205,000)	
Compensated absences		(288,561)	
Total		(9,493,561)	(9,493,561)
Net position of governmental activities		\$	17,249,733

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,293,651	\$ 800,146	\$ 185,532	\$ 4,279,329
Payment in lieu of taxes	222,117	-	201,475	423,592
Tuition	2,173,656	-	16,731	2,190,387
Earnings on investments	55,458	-	689	56,147
Charges for services	-	-	173,904	173,904
Extracurricular	-	-	132,880	132,880
Classroom materials and fees	46,815	-	-	46,815
Rental income	1,595	-	-	1,595
Contributions and donations	12,339	-	29,626	41,965
Other local revenues	100,386	-	-	100,386
Intergovernmental - intermediate	-	-	42,000	42,000
Intergovernmental - state	4,566,426	112,265	56,781	4,735,472
Intergovernmental - federal	90,231	-	631,643	721,874
Total revenues	<u>10,562,674</u>	<u>912,411</u>	<u>1,471,261</u>	<u>12,946,346</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,655,455	-	22,209	3,677,664
Special	1,086,445	-	278,065	1,364,510
Vocational	63,353	-	-	63,353
Other	797,553	-	78,722	876,275
Support services:				
Pupil	214,615	-	25,000	239,615
Instructional staff	250,385	-	24,802	275,187
Board of education	41,019	-	-	41,019
Administration	970,900	-	773	971,673
Fiscal	296,805	23,533	5,203	325,541
Operations and maintenance	599,079	-	81,635	680,714
Pupil transportation	388,213	-	1,029	389,242
Central	21,817	-	-	21,817
Operation of non-instructional services:				
Other non-instructional services	-	-	28,568	28,568
Food service operations	-	-	460,842	460,842
Extracurricular activities	154,232	-	118,389	272,621
Facilities acquisition and construction	-	-	95,657	95,657
Debt service:				
Principal retirement	-	765,000	-	765,000
Interest and fiscal charges	-	251,488	-	251,488
Total expenditures	<u>8,539,871</u>	<u>1,040,021</u>	<u>1,220,894</u>	<u>10,800,786</u>
Net change in fund balances	2,022,803	(127,610)	250,367	2,145,560
Fund balances at beginning of year (restated).	<u>12,404,644</u>	<u>838,859</u>	<u>1,171,570</u>	<u>14,415,073</u>
Fund balances at end of year.	<u>\$ 14,427,447</u>	<u>\$ 711,249</u>	<u>\$ 1,421,937</u>	<u>\$ 16,560,633</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	\$	2,145,560
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 113,743	
Current year depreciation	(794,052)	
Total		(680,309)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,161)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	297	
Tuition	48,779	
Earnings on investments	(4,072)	
Intergovernmental	(45,077)	
Total		(73)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		765,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,133	
Accreted interest on capital appreciation bonds	(19,460)	
Amortization of bond premiums	25,572	
Amortization of deferred charges	(19,644)	
Total		(12,399)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		674,246
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(562,333)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(29,358)
Change in net position of governmental activities	\$	2,297,173

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,245,654	\$ 3,245,654	\$ 3,231,707	\$ (13,947)
Payment in lieu of taxes.	116,524	116,524	222,117	105,593
Tuition.	1,967,308	1,967,308	2,139,603	172,295
Earnings on investments	31,909	31,909	55,458	23,549
Classroom materials and fees	35,336	35,336	39,218	3,882
Rental income	2,375	2,375	1,595	(780)
Contributions and donations	5,750	5,750	10,554	4,804
Other local revenues	113,450	48,450	12,907	(35,543)
Intergovernmental - state	4,576,556	4,576,556	4,575,268	(1,288)
Intergovernmental - federal	36,291	36,291	90,231	53,940
Total revenues	<u>10,131,153</u>	<u>10,066,153</u>	<u>10,378,658</u>	<u>312,505</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,986,163	3,986,163	3,714,036	272,127
Special.	1,295,365	1,295,365	1,123,263	172,102
Vocational.	124,778	124,778	71,035	53,743
Adult/continuing	659	659	-	659
Other.	896,902	896,902	797,193	99,709
Support services:				
Pupil.	194,387	194,387	210,905	(16,518)
Instructional staff	229,984	229,984	243,864	(13,880)
Board of education	73,801	73,801	40,947	32,854
Administration.	743,467	743,467	885,417	(141,950)
Fiscal	286,869	286,869	299,928	(13,059)
Operations and maintenance.	606,330	606,330	603,179	3,151
Pupil transportation	384,895	384,895	386,966	(2,071)
Central.	11,737	11,737	21,874	(10,137)
Extracurricular activities.	146,454	146,454	150,485	(4,031)
Total expenditures	<u>8,981,791</u>	<u>8,981,791</u>	<u>8,549,092</u>	<u>432,699</u>
Excess of revenues over expenditures.	<u>1,149,362</u>	<u>1,084,362</u>	<u>1,829,566</u>	<u>745,204</u>
Other financing sources (uses):				
Refund of prior year's expenditures	35,722	35,722	4,251	(31,471)
Transfers in	10,000	10,000	4,500	(5,500)
Transfers (out).	-	-	(10,790)	(10,790)
Advances in.	1,800	1,800	1,800	-
Advances (out)	-	-	(1,800)	(1,800)
Contingencies	(200,000)	(200,000)	-	200,000
Other uses.	(209)	(209)	(20)	189
Sale of capital assets	3,312	3,312	18,975	15,663
Total other financing sources (uses)	<u>(149,375)</u>	<u>(149,375)</u>	<u>16,916</u>	<u>166,291</u>
Net change in fund balance	999,987	934,987	1,846,482	911,495
Fund balance at beginning of year	<u>12,933,572</u>	<u>12,933,572</u>	<u>12,933,572</u>	<u>-</u>
Fund balance at end of year	<u>\$ 13,933,559</u>	<u>\$ 13,868,559</u>	<u>\$ 14,780,054</u>	<u>\$ 911,495</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 16,783	\$ 38,276
Total assets.	16,783	\$ 38,276
Liabilities:		
Due to students.	-	\$ 38,276
Total liabilities	-	\$ 38,276
Net position:		
Endowment	5,000	
Held in trust for scholarships	11,783	
Total net position.	\$ 16,783	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 67
Gifts and contributions	1,500
Total additions	1,567
Deductions:	
Scholarships awarded	500
Change in net position	1,067
Net position at beginning of year	15,716
Net position at end of year	\$ 16,783

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

It is staffed by 10 administrators, 33 classified employees and 61 certified teaching personnel, who provide services to 938 students and other community members. The Board oversees the operations of the District’s instructional/support facility.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam and Van Wert counties and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 4277 East Road, Elida, OH 45807.

Northwestern Ohio Educational Research Council, Inc. (NOERC)

The District is a participant in the Northwestern Ohio Educational Research Council (NOERC), which provides educational entities with a better understanding of their common educational problems, facilitates and conducts practical educational research, coordinates research among members and provides opportunities for training. NOERC serves a twenty-five county area in northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 52 Maria Stein, Ohio 45860-0052.

Vantage Career Center

The Vantage Career Center (the "Center") is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio, 45891.

The District also participates in two group purchasing pools for insurance, described in Note 12.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of property tax revenues for, and payment of, general obligation bonds and principal and interest from governmental resources when the government is obligated in some manner for payment.

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental 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, is not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the general fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 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 Van Wert County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final certificate of estimated resources issued during the fiscal year.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 is enacted by the Board of Education. 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 must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the legal level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

F. Cash and Investments

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

During fiscal year 2016, investments were limited to non-negotiable certificates of deposit and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the District, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$55,458, which includes \$6,084 assigned from other funds.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District’s investment account at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis. Inventories are accounted for using the consumption method on the government wide financial statements.

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

H. Capital Assets

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

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 \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. The District does not possess infrastructure.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities columns of the statement of net position.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation absences 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. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments for sick leave.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

M. Net Position

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, and Deferred Charges on Debt Refunding

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which they are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 10.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss on refunding is amortized over the remaining term of the old debt or the term of the new debt, whichever is shorter, and is presented on the statement of net position as a deferred inflow of resources or a deferred outflow of resources.

O. Prepayments

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

P. Estimates

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

Q. 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 basic financial statements.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. Pensions

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Net Position/Fund Balances

For the fiscal year ended June 30, 2016, the District has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the District has (1) converted its governmental funds to the modified accrual basis of accounting and (2) converted its governmental activities to the accrual basis of accounting.

Modified Accrual Basis Adjustments – the conversion of the governmental funds from the cash-basis of accounting to the modified accrual basis of accounting required certain adjustments to be recorded at June 30, 2015 to the fund cash balances as previously reported to reflect the prior year’s effect of adopting these new accounting principles.

The restatement to the June 30, 2015 fund cash balances for the governmental funds follows:

	Fund Cash Balance June 30, 2015	Modified Accrual Basis Adjustments	Restated Fund Balance July 1, 2015
Governmental fund:			
General fund	\$ 12,970,470	\$ (565,826)	\$ 12,404,644
Bond retirement fund	776,620	62,239	838,859
Nonmajor governmental funds	<u>1,172,270</u>	<u>(700)</u>	<u>1,171,570</u>
Total governmental funds	<u>\$ 14,919,360</u>	<u>\$ (504,287)</u>	<u>\$ 14,415,073</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Under GAAP, the District's government-wide financial statements are prepared on the accrual basis of accounting. The government-wide financial statements show the District's programs for governmental activities. The conversion of the governmental activities from the cash-basis of accounting to the accrual basis of accounting required certain adjustments to be recorded at June 30, 2015 to the net cash position as previously reported to reflect the prior year's effect of adopting these new accounting principles.

Fiduciary Activities - Agency funds do not report fund balances; therefore no transition is required to restate the beginning net cash position.

The restatement to the June 30, 2015 net cash position for the governmental activities follows:

	<u>Governmental Activities</u>
Net cash position, June 30, 2015	\$ 14,919,360
Modified accrual basis adjustments	(504,287)
Accrual basis adjustments:	
Capital assets, net	21,846,765
Long-term unavailable assets	270,062
Unamortized deferred gain on refunding	283,199
Deferred outflows - pension	744,462
Deferred inflows - pension	(1,845,200)
Net pension liability	(10,161,869)
Compensated absences payable	(259,203)
Accrued interest payable	(21,524)
Long-term debt	<u>(10,319,205)</u>
Restated net position, July 1, 2015	<u>\$ 14,952,560</u>

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA- Part B	\$ 7,245
Title I- Disadvantage children	6,089

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$3,550 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$11,374,062. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$3,968,524 of the District's bank balance of \$11,409,506 was exposed to custodial risk as discussed below, while \$7,440,982 was covered by the FDIC.

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

C. Investments

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment</u> <u>Maturities</u>
		<u>6 months or</u> <u>less</u>
STAR Ohio	<u>\$ 5,562,662</u>	<u>\$ 5,562,662</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,562,662	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,374,062
Investments	5,562,662
Cash on hand	<u>3,550</u>
Total	<u>\$ 16,940,274</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 16,885,215
Private-purpose trust fund	16,783
Agency funds	<u>38,276</u>
Total	<u>\$ 16,940,274</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2016 as reported on the fund statements include the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 16,452</u>

The purpose of amounts due to/from other funds is to cover negative cash balances in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Van Wert 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, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$269,630 in the general fund, \$61,741 in the bond retirement fund, \$2,839 in classroom facilities maintenance fund (a nonmajor governmental fund) and \$12,126 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$207,686 in the general fund, \$62,239 in the bond retirement fund, \$2,172 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$9,277 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 169,336,260	97.91	\$ 170,828,400	97.50
Public utility personal	<u>3,617,340</u>	<u>2.09</u>	<u>4,377,070</u>	<u>2.50</u>
Total	<u>\$ 172,953,600</u>	<u>100.00</u>	<u>\$ 175,205,470</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$51.70		\$50.30	

NOTE 7 - PAYMENT IN LIEU OF TAXES

According to State law, Van Wert County has entered into agreements with property owners under which the County granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The agreements provide for a portion of these payments to be made to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires. The District recorded \$423,592 in payments in lieu of taxes on a modified accrual basis during fiscal year 2016.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2016 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Taxes	\$ 4,193,905
Payment in lieu of taxes	408,092
Accounts	217,735
Intergovernmental	108,770
Accrued interest	<u>6,627</u>
Total receivables	<u>\$ 4,935,129</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/16</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 130,323	\$ -	\$ -	\$ 130,323
Total capital assets, not being depreciated	<u>130,323</u>	<u>-</u>	<u>-</u>	<u>130,323</u>
Capital assets, being depreciated:				
Land improvements	2,395,556	8,992	-	2,404,548
Buildings and improvements	22,839,457	15,613	-	22,855,070
Furniture, fixtures and equipment	2,299,845	89,138	(9,847)	2,379,136
Vehicles	<u>1,204,053</u>	<u>-</u>	<u>-</u>	<u>1,204,053</u>
Total capital assets, being depreciated	<u>28,738,911</u>	<u>113,743</u>	<u>(9,847)</u>	<u>28,842,807</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,140,196)	(106,442)	-	(1,246,638)
Building and improvements	(4,017,861)	(480,113)	-	(4,497,974)
Furniture, fixtures and equipment	(1,139,165)	(128,903)	6,686	(1,261,382)
Vehicles	<u>(725,247)</u>	<u>(78,594)</u>	<u>-</u>	<u>(803,841)</u>
Total accumulated depreciation	<u>(7,022,469)</u>	<u>(794,052)</u>	<u>6,686</u>	<u>(7,809,835)</u>
Governmental activities capital assets, net	<u>\$ 21,846,765</u>	<u>\$ (680,309)</u>	<u>\$ (3,161)</u>	<u>\$ 21,163,295</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 455,404
Special	21,145
Vocational	20,670
<u>Support Services:</u>	
Pupil	5,683
Instructional staff	11,589
Administration	14,319
Fiscal	2,953
Operations and maintenance	120,049
Pupil transportation	57,977
Central	7,034
Operation of non-instructional	6,826
Extracurricular activities	68,185
Food service operations	<u>2,218</u>
Total depreciation expense	<u>\$ 794,052</u>

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2016, the following activity occurred in long-term obligations;

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation bonds:					
<u>Series 2005, refunding</u>					
Capital appreciation bonds	\$ 62,749	\$ -	\$ (62,749)	\$ -	\$ -
Accreted interest	237,791	19,460	(257,251)	-	-
<u>Series 2006, building improvement</u>					
Current interest bonds	65,000	-	(65,000)	-	-
<u>Series 2006, classroom facilities</u>					
Current interest bonds	115,000	-	(115,000)	-	-
<u>Series 2015, refunding</u>					
Current interest bonds	<u>9,470,000</u>	<u>-</u>	<u>(265,000)</u>	<u>9,205,000</u>	<u>720,000</u>
Total G.O. Bonds	<u>9,950,540</u>	<u>19,460</u>	<u>(765,000)</u>	<u>9,205,000</u>	<u>720,000</u>
Compensated absences	312,787	49,199	(73,425)	288,561	20,413
Net pension liability	<u>10,161,869</u>	<u>1,323,762</u>	<u>-</u>	<u>11,485,631</u>	<u>-</u>
Total	<u>\$ 20,425,196</u>	<u>\$ 1,392,421</u>	<u>\$ (838,425)</u>	20,979,192	<u>\$ 740,413</u>
Add: Unamortized premium on bonds				<u>343,093</u>	
Total on Statement of Net Position				<u>\$ 21,322,285</u>	

Compensated absences - Compensated absences are paid from the fund which the employee is paid which includes the general fund and the following nonmajor governmental funds: food service, special enterprise, IDEA part-B and Title I.

Net Pension Liability - See Note 13 for detail on the District's net pension liability.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2005, refunding bonds - On March 1, 2005, the District issued general obligation school improvement refunding bonds. The refunding issue is comprised of both current interest bonds, par value \$5,000,000 and capital appreciation bonds, par value \$311,173. During fiscal year 2015, \$3,175,000 of the Series 2005 refunding bonds were refunded by the Series 2015 refunding bonds. The interest rate on the current interest bonds range from 3 to 4.75 percent. The remaining capital appreciation bonds mature on December 1, 2015 (approximate yield to maturity of 4.00 percent), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,250,000. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2023.

The 1997 School Improvement bonds in the amount of \$5,400,215 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The 1997 School Improvement bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of Net Position.

This District fulfilled its obligation for general obligation school improvement refunding bonds – series 2005 in fiscal year 2016.

Series 2006, building improvement bonds - On December 28, 2005 the District issued \$2,832,558 in private placement bonds for the purpose of making improvements to buildings in the District. The bond issue included term bonds in the amount of \$2,832,558 at an interest rate of 4.51 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The bonds were issued with a final maturity of December 1, 2033. During fiscal year 2015, \$2,405,000 of the Series 2006 bonds were refunded by the Series 2015 refunding bonds. The bonds will be retired from the bond retirement fund.

This District fulfilled its obligation for the building improvement bonds – series 2006 in fiscal year 2016.

Series 2006, classroom facilities bonds - On February 22, 2006 the District issued \$5,038,976 in private placement bonds for the purpose of constructing a new building, under authority of Ohio Revised Code Section 3317.22. The bond issue included term bonds in the amount of \$5,038,976 at an interest rate of 4.56 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The bonds were issued with a final maturity of December 1, 2033. During fiscal year 2015, \$4,260,000 of the Series 2006 bonds were refunded by the Series 2015 refunding bonds. The bonds will be retired from the bond retirement fund.

This District fulfilled its obligation for the classroom facilities bonds – series 2006 in fiscal year 2016.

Series 2015 refunding bonds - On March 19, 2015, the District issued various purpose refunding bonds (series 2015 refunding bonds) to refund \$3,175,000 of the series 2005 refunding bonds, \$2,460,000 of the series 2006 building improvement bonds, and \$4,370,000 of the series 2006 classroom facilities bonds. The refunding issue is comprised of current interest bonds, par value \$9,470,000. The interest rate on the current interest bonds range from 2 to 3.5 percent. Interest payments on the bonds are due on June 1 and December 1 of each year. The final stated maturity of the current interest bonds is December 1, 2029. The bonds will be retired from the bond retirement fund.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The series 2005 refunding bonds in the amount of \$3,175,000 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The series 2005, refunding bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$70,466. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2023 by \$648,924 and resulted in an economic gain of \$558,659.

A portion of the series 2006 building improvement bonds in the amount of \$2,405,000 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The series 2006, building improvement bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$108,423. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2033 by \$860,704 and resulted in an economic gain of \$527,713.

A portion of the series 2006 classroom facilities bonds in the amount of \$4,260,000 were refunded through the purchase of U.S. Treasury obligations having the amounts and maturities to generate a cash flow sufficient to meet the principal and interest payments due over the life of the remaining bonds. The investments and the uninvested cash are being held in an irrevocable trust. The series 2006, classroom facilities bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$194,180. This refunding was undertaken to reduce the combined total debt service payments through December 1, 2033 by \$1,448,468 and resulted in an economic gain of \$903,983.

The scheduled payments of principal and interest on debt outstanding at June 30, 2016 are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2017	\$ 720,000	\$ 237,488	\$ 957,488
2018	745,000	222,837	967,837
2019	770,000	203,838	973,838
2020	805,000	184,237	989,237
2021	850,000	167,688	1,017,688
2022 - 2026	3,695,000	521,344	4,216,344
2027 - 2031	1,620,000	89,949	1,709,949
Total	\$ 9,205,000	\$ 1,627,381	\$ 10,832,381

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$7,274,741 (including available funds of \$711,249), an unvoted debt margin of \$175,205.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 190 days for eligible personnel. Upon retirement, payment is made for 25% of accrued, but unused sick leave credit up to a maximum of 30 days for classified staff. For certified staff, payment is made for 25% of accrued, but unused sick leave credit up to a maximum of 35 days. Certified staff will receive 3.33% of all days in excess of 140 days to a maximum of \$1,000 for the second tier calculation.

B. Health Care Benefits

The District provides medical, dental, vision and life insurance to all employees through the Van Wert Area School Insurance Group (Note 12). Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies depending on the terms of the union contract.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted for the following insurance coverage through the Phelan Insurance Agency:

Commercial property contents - replacement cost (\$2,500 deductible)	\$33,698,610
General liability (\$2,000,000 aggregate)	1,000,000
Per occurrence (includes \$4,000,000 umbrella)	5,000,000
Total per year	6,000,000
Errors and omissions (\$2,500 deductible)	1,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three year fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2015.

GROUP PURCHASING POOLS

Ohio School Comp Group Retrospective Rating Program (GRRP) - The District participates in a group retrospective rating program (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Retrospective Rating Plan was established through the Ohio School Board Association and the Ohio Association of School Business Officials as a group insurance purchasing pool. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

The intent of the Program is to achieve the benefit of a reduced premium for the District by reducing the District's individual rate based on prior claims. The District pays its workers' compensation premium to the State based on the individual rate and may also pay additional workers' compensation assessments. The District may also be available to receive a refund for overpayment of premiums.

The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP

Van Wert Area School Insurance Group (VWASIG) - The VWASIG is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code to provide life insurance and pay medical/surgical, prescription drug, and dental benefits of employees and their covered dependents. The medical insurance program operates under the control of a Board of Trustees representing the member schools and is administered by Aetna through a Third Party Administrator, Huntington Insurance. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, 205 West Crawford Street, Van Wert, Ohio 45891.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$148,454 for fiscal year 2016. Of this amount, \$17,369 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. 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.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$525,792 for fiscal year 2016. Of this amount, \$89,756 is reported as pension and postemployment benefits payable.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,834,328	\$ 9,651,303	\$ 11,485,631
Proportion of the net pension liability	0.03214680%	0.03492158%	
Pension expense	\$ 142,500	\$ 419,833	\$ 562,333

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 28,967	\$ 440,954	\$ 469,921
Changes in proportionate share	71,717	-	71,717
District contributions subsequent to the measurement date	<u>148,454</u>	<u>525,792</u>	<u>674,246</u>
Total deferred outflows of resources	<u>\$ 249,138</u>	<u>\$ 966,746</u>	<u>\$ 1,215,884</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 49,259	\$ 712,903	\$ 762,162
Changes in proportionate share	<u>-</u>	<u>118,785</u>	<u>118,785</u>
Total deferred inflows of resources	<u>\$ 49,259</u>	<u>\$ 831,688</u>	<u>\$ 880,947</u>

\$674,246 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ 4,446	\$ (192,271)	\$ (187,825)
2018	4,446	(192,271)	(187,825)
2019	4,443	(192,272)	(187,829)
2020	<u>38,090</u>	<u>186,080</u>	<u>224,170</u>
Total	<u>\$ 51,425</u>	<u>\$ (390,734)</u>	<u>\$ (339,309)</u>

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 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 (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 2,543,553	\$ 1,834,328	\$ 1,237,101

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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

Actuarial assumptions used in the June 30, 2015, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 13,406,388	\$ 9,651,303	\$ 6,475,819

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$16,432.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$16,432, \$15,174, and \$16,249, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. 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 or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 years 2016 and 2015, 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, 2016, 2015, and 2014 were \$0, \$0, and \$36,782, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,846,482
Net adjustment for revenue accruals	106,934
Net adjustment for expenditure accruals	86,052
Net adjustment for other sources/uses	(16,916)
Funds budgeted elsewhere	251
GAAP basis	<u>\$ 2,022,803</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund and the public school support fund.

NOTE 16 - SET-ASIDES

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

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 16 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	159,154
Current year qualifying expenditures	(97,476)
Current year offsets	<u>(231,876)</u>
Total	<u>\$ (170,198)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u><u>\$ -</u></u>

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

There are no legal matters in litigation with the District as defendant.

C. 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 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 District, which can extend past the fiscal year-end. There were three adjustments to Foundation revenue. The first adjustment was \$2, which is recorded as an intergovernmental payable on the statement of net position. The second adjustment was \$4,440, which is recorded as an intergovernmental receivable on the statement of net position. The third adjustment was \$714, which is recorded as an intergovernmental receivable on the statement of net position.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 18 - ENDOWMENTS

The District's private-purpose trust fund included a donor restricted endowment. The endowment, in the amount of \$5,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$11,783 for 2016 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used for the special education program.

NOTE 19 - SERVICE CONTRACT COMMITMENTS

The District has entered into contracts with STARR Commonwealth Schools and the Marsh Foundation. The students who attend these schools are by court order or other placement. The schools are located in the District and these students are entitled to an education from the District by State law. The District provides materials and teaching personnel for the education of these students. They are then reimbursed for the excess costs at the end of the fiscal year.

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**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.03214680%	0.03027700%	0.03027700%
District's proportionate share of the net pension liability	\$ 1,834,328	\$ 1,532,302	\$ 1,800,476
District's covered-employee payroll	\$ 967,785	\$ 879,784	\$ 916,452
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	196.46%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.03492158%	0.03547837%	0.03547837%
District's proportionate share of the net pension liability	\$ 9,651,303	\$ 8,629,567	\$ 10,279,484
District's covered-employee payroll	\$ 3,719,914	\$ 3,624,908	\$ 3,679,262
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.45%	238.06%	279.39%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 148,454	\$ 127,554	\$ 121,938	\$ 126,837
Contributions in relation to the contractually required contribution	<u>(148,454)</u>	<u>(127,554)</u>	<u>(121,938)</u>	<u>(126,837)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,060,386	\$ 967,785	\$ 879,784	\$ 916,452
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 122,844	\$ 114,907	\$ 119,031	\$ 82,971	\$ 79,568	\$ 82,097
<u>(122,844)</u>	<u>(114,907)</u>	<u>(119,031)</u>	<u>(82,971)</u>	<u>(79,568)</u>	<u>(82,097)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 913,338	\$ 914,137	\$ 879,106	\$ 843,201	\$ 810,265	\$ 768,699
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 525,792	\$ 520,788	\$ 471,238	\$ 478,304
Contributions in relation to the contractually required contribution	<u>(525,792)</u>	<u>(520,788)</u>	<u>(471,238)</u>	<u>(478,304)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,755,657	\$ 3,719,914	\$ 3,624,908	\$ 3,679,262
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 483,514	\$ 507,560	\$ 517,205	\$ 505,948	\$ 493,473	\$ 479,561
<u>(483,514)</u>	<u>(507,560)</u>	<u>(517,205)</u>	<u>(505,948)</u>	<u>(493,473)</u>	<u>(479,561)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,719,338	\$ 3,904,308	\$ 3,978,500	\$ 3,891,908	\$ 3,795,946	\$ 3,688,931
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LINCOLNVIEW LOCAL SCHOOL DISTRICT
VAN WERT COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



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*

Lincolnview Local School District
Van Wert County
15945 Middle Point Road
Van Wert, OH 45891

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincolnview Local School District, Van Wert County, (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 16, 2018, wherein we noted during 2016 the District elected to revise its financial statement presentation from a cash basis comparable to the requirements of *Governmental Auditing Standards* to a basis in accordance with accounting principles generally accepted in the United States (GAAP), which resulted in restatement of beginning net position/fund balances as of July 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

May 16, 2018



Dave Yost • Auditor of State

LINCOLNVIEW LOCAL SCHOOL DISTRICT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 21, 2018