



Dave Yost • Auditor of State



**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

New Boston Local School District  
Scioto County  
#1 Glenwood Tiger Trail  
New Boston, Ohio 45662

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 New Boston Local School District, Scioto County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Boston Local School District, Scioto County, Ohio, as of June 30, 2017, and the respective changes in financial position, budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2018

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## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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As management of the New Boston Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and in the notes to the basic financial statements to enhance their understanding of the School District's performance.

### **Financial Highlights**

- Net position of governmental activities decreased \$29,189.
- The School District received more State foundation revenue that resulted from a change in the State funding formula.

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

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand New Boston Local School District as a financial whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide 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 School District's major funds with all other nonmajor funds presented in total in one column. The major funds for the New Boston Local School District are the General Fund and the Bond Retirement Debt Service Fund.

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

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2017?"

The Statement of Net Position and the Statements of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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

**Fund Financial Statements**

The analysis of the School District's major funds begins on page ten. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds, which are the General Fund and the Bond Retirement Debt Service Fund.

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

**Fiduciary Funds** – The School District's only fiduciary funds are two agency funds. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016:

(Table 1)  
Net Position

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
<b>Assets</b>			
Current Assets	\$5,172,497	\$4,713,785	\$458,712
Capital Assets, Net	17,069,248	17,690,221	(620,973)
Total Assets	<u>\$22,241,745</u>	<u>\$22,404,006</u>	<u>(\$162,261)</u>

(continued)

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
<b>(Table 1)</b>			
<b>Net Position</b>			
<b>(continued)</b>			
<b>Deferred Outflows of Resources</b>			
Pension	\$1,574,450	\$750,852	\$823,598
Deferred Charge on Refunding	263,384	276,720	(13,336)
Total Deferred Outflows of Resources	<u>1,837,834</u>	<u>1,027,572</u>	<u>810,262</u>
<b>Liabilities</b>			
Other Liabilities	484,637	494,556	(9,919)
Long-Term Liabilities			
Due Within One Year	166,242	213,316	(47,074)
Due In More Than One Year:			
Net Pension Liability	8,241,584	6,902,324	1,339,260
Other Amounts	<u>3,532,442</u>	<u>3,657,607</u>	<u>(125,165)</u>
Total Liabilities	<u>12,424,905</u>	<u>11,267,803</u>	<u>1,157,102</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,117,543	1,300,018	(182,475)
Pension	<u>466,797</u>	<u>764,234</u>	<u>(297,437)</u>
Total Deferred Inflows of Resources	<u>1,584,340</u>	<u>2,064,252</u>	<u>(479,912)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	14,007,179	14,497,715	(490,536)
Restricted	1,033,545	1,101,664	(68,119)
Unrestricted	<u>(4,970,390)</u>	<u>(5,499,856)</u>	<u>529,466</u>
Total Net Position	<u>\$10,070,334</u>	<u>\$10,099,523</u>	<u>(\$29,189)</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and 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

## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

### **Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2017**

**Unaudited**

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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.

GASB 68 requires the net pension liability to equal the School 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 School 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 School 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.

Total assets of governmental activities decreased \$162,261. The large increase in current assets was primarily due to an increase in having more cash on hand, which is mainly due to receiving an increase in State funding. The decrease in capital assets, net, is due to fiscal year 2017 depreciation exceeding fiscal year asset additions.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

Total liabilities increased \$1,157,102 for fiscal year 2017 when compared to the prior fiscal year primarily due to the increase in net pension liability.

Net investment in capital assets for governmental activities decreased \$490,536. The decrease is due to fiscal year 2017 depreciation exceeding fiscal year asset additions. Unrestricted net position for governmental activities increased by \$529,466 mainly due to receiving an increase in State funding.

Table 2 shows the highlights of the School District's revenues and expenses for fiscal years 2017 and 2016. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, operating grants, contributions, and restricted interest. General Revenues include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, unrestricted investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)  
Change in Net Position

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,108,765	\$1,185,241	(\$76,476)
Operating Grants, Contributions, and Interest	1,406,221	1,676,048	(269,827)
Total Program Revenues	2,514,986	2,861,289	(346,303)
General Revenues:			
Property Taxes Levied for General Purposes	1,285,825	1,303,056	(17,231)
Grants and Entitlements not Restricted to Specific Programs	2,868,252	2,465,201	403,051
Contributions not Restricted to Specific Programs	5,114	2,467	2,647
Investment Earnings	11,430	8,532	2,898
Miscellaneous	122,787	177,676	(54,889)
Total General Revenues	4,293,408	3,956,932	336,476
Total Revenues	\$6,808,394	\$6,818,221	(\$9,827)

*(continued)*

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
Unaudited

(Table 2)  
Change in Net Position  
(continued)

	Governmental Activities		Increase/ (Decrease)
	2017	2016	
<b>Program Expenses</b>			
Instruction:			
Regular	\$3,028,873	\$2,851,055	\$177,818
Special	1,073,285	975,982	97,303
Vocational	10,780	19,126	(8,346)
Student Intervention Services	5,544	8,910	(3,366)
Support Services:			
Pupils	214,179	201,153	13,026
Instructional Staff	200,866	356,437	(155,571)
Board of Education	11,619	12,196	(577)
Administration	581,766	575,902	5,864
Fiscal	244,083	223,913	20,170
Operation and Maintenance of Plant	606,846	548,360	58,486
Pupil Transportation	211,087	178,865	32,222
Central	0	706	(706)
Operation of Non-Instructional Services:			
Food Service Operations	372,348	356,630	15,718
Extracurricular Activities	134,186	123,552	10,634
Interest and Fiscal Charges	142,121	188,649	(46,528)
Total Expenses	<u>6,837,583</u>	<u>6,621,436</u>	<u>216,147</u>
Change in Net Position	(29,189)	196,785	(225,974)
Net Position at Beginning of Year	10,099,523	9,902,738	196,785
Net Position at End of Year	<u>\$10,070,334</u>	<u>\$10,099,523</u>	<u>(\$29,189)</u>

**Governmental Activities**

General revenues were \$4,293,408 of total revenues for fiscal year 2017 and were higher than the prior fiscal year, mostly due to a change in State funding which, in turn, increased the amount of revenue received from the State.

As should be expected, instruction costs represent the largest of the School District's expenses, \$4,118,482 for fiscal year 2017. The instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for \$626,132 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense of \$606,846. Regular instruction increased \$177,818, mainly due to an increase in expenses from pension liability.

**The School District's Funds**

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6,861,736 and expenditures of \$6,158,705. The net change in fund balance for the year was most significant in the General Fund with an increase of \$698,749, which mainly resulted from the School District receiving more State funding.

## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Unaudited

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The Bond Retirement Debt Service Fund had a decrease in fund balance of \$41,262 during the fiscal year, which was mainly due to the current year debt payments exceeding the revenue received during the fiscal year.

### **General Fund - Budget Highlights**

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

During the course of fiscal year 2017, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

A review of the budgetary comparison statement for the General Fund reflects an overall decrease of \$90,003 between the original budget and final budgeted revenues. The decrease is mainly due to receiving less property tax revenue during fiscal year 2017 than originally anticipated.

The decrease in expenditures from the original to the final budget was \$122,061, which is mostly related to the School District starting with a conservative budget and closely monitoring expenditures throughout the fiscal year.

### **Capital Assets**

At the end of fiscal year 2017, the School District had \$17,069,248 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles which represented a decrease of \$620,973. The decrease was mainly due current fiscal year depreciation exceeding asset additions.

For more information on capital assets, refer to Note 10 in the notes to the basic financial statements.

### **Debt Administration**

At June 30, 2017, the School District had \$3,464,673 in total outstanding debt consisting of bonds, accretion on Capital Appreciation Bonds and bond premium on School Facilities Construction and Improvement Bonds. At June 30, 2017, the School District's overall legal debt margin was \$642,709 with an unvoted debt margin of \$36,635. For more information on debt administration, refer to Note 16 of the notes to the basic financial statements.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Samantha Hamilton, Treasurer at New Boston Local School District, #1 Glenwood Tiger Trail, New Boston, Ohio 45662, or email [samantha.hamilton@nbtigers.net](mailto:samantha.hamilton@nbtigers.net).

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**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Net Position

June 30, 2017

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$2,872,411
Materials and Supplies Inventory	7,983
Inventory Held for Resale	5,922
Intergovernmental Receivable	147,956
Prepaid Items	11,845
Property Taxes Receivable	2,126,380
Capital Assets:	
Land	29,077
Depreciable Capital Assets, Net	<u>17,040,171</u>
<i>Total Assets</i>	<u>22,241,745</u>
<b><u>Deferred Outflows of Resources:</u></b>	
Pension	1,574,450
Deferred Charge on Refunding	<u>263,384</u>
<i>Total Deferred Outflows of Resources</i>	<u>1,837,834</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	37,554
Accrued Wages and Benefits Payable	332,492
Intergovernmental Payable	91,260
Accrued Interest Payable	16,725
Matured Compensated Absences Payable	6,606
Long-Term Liabilities:	
Due Within One Year	166,242
Due in More Than One Year:	
Net Pension Liability (See Note 12)	8,241,584
Other Amounts	<u>3,532,442</u>
<i>Total Liabilities</i>	<u>12,424,905</u>
<b><u>Deferred Inflows of Resources:</u></b>	
Property Taxes	1,117,543
Pension	<u>466,797</u>
<i>Total Deferred Inflows of Resources</i>	<u>1,584,340</u>
<b><u>Net Position:</u></b>	
Net Investment in Capital Assets	14,007,179
Restricted for Debt Service	410,835
Restricted for Other Purposes:	
Food Service Operations	365,320
Classroom Facilities Maintenance	198,081
Athletic Programs	25,506
State and Federal Grants	33,803
Unrestricted (Deficit)	<u>(4,970,390)</u>
<i>Total Net Position</i>	<u><u>\$10,070,334</u></u>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Position
				Total Governmental Activities
<b><u>Governmental Activities:</u></b>				
Instruction:				
Regular	\$3,028,873	\$1,057,508	\$222,263	(\$1,749,102)
Special	1,073,285	0	805,143	(268,142)
Vocational	10,780	0	3,919	(6,861)
Student Intervention Services	5,544	0	0	(5,544)
Support Services:				
Pupils	214,179	0	0	(214,179)
Instructional Staff	200,866	0	2,372	(198,494)
Board of Education	11,619	0	0	(11,619)
Administration	581,766	0	0	(581,766)
Fiscal	244,083	0	0	(244,083)
Operation and Maintenance of Plant	606,846	0	0	(606,846)
Pupil Transportation	211,087	0	26,336	(184,751)
Operation of Non-Instructional Services:				
Food Service Operations	372,348	9,062	333,348	(29,938)
Extracurricular Activities	134,186	42,195	12,840	(79,151)
Interest and Fiscal Charges	142,121	0	0	(142,121)
<b><i>Total Governmental Activities</i></b>	<b><u>\$6,837,583</u></b>	<b><u>\$1,108,765</u></b>	<b><u>\$1,406,221</u></b>	<b><u>(4,322,597)</u></b>
<b><u>General Revenues:</u></b>				
Property Taxes Levied for:				
General Purposes				1,027,244
Debt Service				242,098
Facility Maintenance				16,483
Grants and Entitlements not Restricted to Specific Programs				2,868,252
Contributions not Restricted to Specific Programs				5,114
Investment Earnings				11,430
Miscellaneous				122,787
<b><i>Total General Revenues</i></b>				<b><u>4,293,408</u></b>
<b><i>Change in Net Position</i></b>				<b>(29,189)</b>
<b><i>Net Position at Beginning of Year</i></b>				<b><u>10,099,523</u></b>
<b><i>Net Position at End of Year</i></b>				<b><u>\$10,070,334</u></b>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2017

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,005,360	\$244,614	\$622,437	\$2,872,411
Receivables:				
Property Taxes	1,712,779	386,848	26,753	2,126,380
Intergovernmental	15,707	0	132,249	147,956
Interfund	59,172	0	0	59,172
Prepaid Items	11,495	0	350	11,845
Materials and Supplies Inventory	7,707	0	276	7,983
Inventory Held for Resale	0	0	5,922	5,922
<b>Total Assets</b>	<b>\$3,812,220</b>	<b>\$631,462</b>	<b>\$787,987</b>	<b>\$5,231,669</b>
<b><u>Liabilities:</u></b>				
Accounts Payable	\$36,422	\$0	\$1,132	\$37,554
Accrued Wages and Benefits Payable	256,230	0	76,262	332,492
Intergovernmental Payable	76,096	0	15,164	91,260
Interfund Payable	0	0	59,172	59,172
Matured Compensated Absences Payable	6,606	0	0	6,606
<b>Total Liabilities</b>	<b>375,354</b>	<b>0</b>	<b>151,730</b>	<b>527,084</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Property Taxes	899,516	203,902	14,125	1,117,543
Unavailable Revenue	727,088	162,896	16,484	906,468
<b>Total Deferred Inflows of Resources</b>	<b>1,626,604</b>	<b>366,798</b>	<b>30,609</b>	<b>2,024,011</b>
<b><u>Fund Balances:</u></b>				
Nonspendable	19,202	0	626	19,828
Restricted	0	264,664	607,691	872,355
Committed	85,174	0	0	85,174
Assigned	39,477	0	0	39,477
Unassigned (Deficit)	1,666,409	0	(2,669)	1,663,740
<b>Total Fund Balances</b>	<b>1,810,262</b>	<b>264,664</b>	<b>605,648</b>	<b>2,680,574</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$3,812,220</b>	<b>\$631,462</b>	<b>\$787,987</b>	<b>\$5,231,669</b>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2017

**Total Governmental Fund Balances** \$2,680,574

*Amounts reported for governmental activities in the  
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	29,077	
Other capital assets	20,835,339	
Accumulated depreciation	<u>(3,795,168)</u>	
Total		17,069,248

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.

Delinquent property taxes	901,232	
Intergovernmental	<u>5,236</u>	
Total		906,468

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (16,725)

Deferred outflows of resources include deferred charges on refunding which do not provide current financial resources and, therefore are not reported in the funds. 263,384

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 the governmental funds.

Deferred Outflows - Pension	1,574,450	
Deferred Inflows - Pension	(466,797)	
Net Pension Liability	<u>(8,241,584)</u>	
Total		(7,133,931)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	(2,919,136)	
Accretion on Capital Appreciation Bonds	(139,220)	
Premium on general obligation bonds	(406,317)	
Compensated absences	<u>(234,011)</u>	
Total		<u>(3,698,684)</u>

**Net Position of Governmental Activities** \$10,070,334

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017

	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$1,007,204	\$235,858	\$16,252	\$1,259,314
Intergovernmental	3,285,476	16,874	1,037,389	4,339,739
Investment Earnings	9,155	1,197	2,825	13,177
Tuition and Fees	1,015,508	0	0	1,015,508
Extracurricular Activities	0	0	42,195	42,195
Rent	42,000	0	0	42,000
Charges for Services	0	0	9,062	9,062
Contributions and Donations	5,114	0	12,840	17,954
Miscellaneous	117,787	0	5,000	122,787
<i>Total Revenues</i>	<u>5,482,244</u>	<u>253,929</u>	<u>1,125,563</u>	<u>6,861,736</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	2,397,974	0	250,290	2,648,264
Special	656,078	0	391,896	1,047,974
Vocational	9,629	0	0	9,629
Student Intervention Services	5,544	0	0	5,544
Support Services:				
Pupils	191,507	0	0	191,507
Instructional Staff	150,087	0	1,744	151,831
Board of Education	11,619	0	0	11,619
Administration	497,508	0	0	497,508
Fiscal	199,058	5,589	385	205,032
Operation and Maintenance of Plant	461,357	0	70,424	531,781
Pupil Transportation	140,635	0	0	140,635
Operation of Non-Instructional Services:				
Food Service Operations	1,969	0	305,378	307,347
Extracurricular Activities	60,530	0	59,902	120,432
Debt Service:				
Principal Retirement	0	123,200	0	123,200
Interest and Fiscal Charges	0	104,602	0	104,602
Capital Appreciation Bond Accretion	0	61,800	0	61,800
<i>Total Expenditures</i>	<u>4,783,495</u>	<u>295,191</u>	<u>1,080,019</u>	<u>6,158,705</u>
Excess of Revenues Over(Under) Expenditures	<u>698,749</u>	<u>(41,262)</u>	<u>45,544</u>	<u>703,031</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers In	0	0	69,767	69,767
Transfers Out	0	0	(69,767)	(69,767)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	698,749	(41,262)	45,544	703,031
<i>Fund Balances at Beginning of Year</i>	<u>1,111,513</u>	<u>305,926</u>	<u>560,104</u>	<u>1,977,543</u>
<i>Fund Balances at End of Year</i>	<u>\$1,810,262</u>	<u>\$264,664</u>	<u>\$605,648</u>	<u>\$2,680,574</u>

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2017

**Net Change in Fund Balances - Total Governmental Funds** \$703,031

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	14,212	
Depreciation expense	(635,185)	
Excess of depreciation expense over capital outlay		(620,973)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are therefore recorded as deferred inflows of resources in the governmental funds. Deferred inflows of resources changed by these amounts this fiscal year:

Delinquent property taxes	26,511	
Intergovernmental	(79,853)	
Total		(53,342)

Accretion and amortization of bond premiums and accrued interest payable on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of loss on refunding	(13,336)	
Amortization of bond premium	20,573	
Accretion on Bonds	15,627	
Decrease in Accrued Interest	1,417	
Total		24,281

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:

Bond payments	123,200
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Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows. 359,974

Except for the amounts reported as deferred inflows/outflows, changes in net position liability are reported as pension expense in the Statement of Activities. (578,199)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	12,839
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**Change in Net Position of Governmental Activities** (\$29,189)

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2017

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,079,000	\$955,583	\$955,583	\$0
Intergovernmental	3,086,900	3,282,516	3,282,516	0
Investment Earnings	6,000	9,155	9,155	0
Tuition and Fees	1,081,500	1,015,508	1,015,508	0
Rent	43,000	42,000	42,000	0
Contributions and Donations	5,000	5,114	5,114	0
Miscellaneous	195,250	96,771	96,771	0
<i>Total Revenues</i>	5,496,650	5,406,647	5,406,647	0
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	2,566,907	2,400,981	2,400,981	0
Special	628,262	670,470	670,470	0
Vocational	18,761	9,629	9,629	0
Student Intervention Services	9,075	5,544	5,544	0
Support Services:				
Pupils	202,100	193,868	193,868	0
Instructional Staff	160,328	151,102	151,102	0
Board of Education	13,387	12,528	12,528	0
Administration	540,121	508,245	508,245	0
Fiscal	214,817	202,208	202,208	0
Operation and Maintenance of Plant	509,978	467,135	467,135	0
Pupil Transportation	121,891	237,814	237,814	0
Central	1,467	1,321	1,321	0
Operation of Non-Instructional Services:				
Food Service Operations	2,307	1,969	1,969	0
Extracurricular Activities	57,284	61,810	61,810	0
<i>Total Expenditures</i>	5,046,685	4,924,624	4,924,624	0
Excess of Revenues Over Expenditures	449,965	482,023	482,023	0
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	4,000	6,275	6,275	0
Advances In	50,000	62,966	62,966	0
Advances Out	(64,299)	(59,712)	(59,712)	0
Transfers In	0	1,994	1,994	0
<i>Total Other Financing Sources (Uses)</i>	(10,299)	11,523	11,523	0
<i>Net Change in Fund Balance</i>	439,666	493,546	493,546	0
<i>Fund Balance at Beginning of Year</i>	1,232,507	1,232,507	1,232,507	0
<i>Prior Year Encumbrances Appropriated</i>	120,771	120,771	120,771	0
<i>Fund Balance at End of Year</i>	\$1,792,944	\$1,846,824	\$1,846,824	\$0

See accompanying notes to the basic financial statements

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2017

	<u>Agency Fund</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$49,245
	<hr/> <hr/>
<b><u>Liabilities:</u></b>	
Undistributed Monies	\$17,173
Deposits Held and Due to Others	32,072
	<hr/>
<i>Total Liabilities</i>	\$49,245
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See accompanying notes to the basic financial statements



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1906 through the consolidation of existing land areas and school districts. The School District serves an area of approximately six square miles. It is located in Scioto County, and includes all of the Village of New Boston. It is staffed by 22 non-certificated employees, 37 certificated teaching personnel and five administrative employees who provide services to 484 students and other community members. The School District currently operates one instructional building, one stadium, and one garage.

*Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in five organizations, two of which are defined as jointly governed organizations, two as public entity shared risk pools, and one as an insurance purchasing pool. These organizations are presented in Note 18 to the basic financial statements.

Jointly Governed Organization:

South Central Ohio Computer Association Regional Council of Governments  
Southern Ohio Academy

Public Entity Shared Risk Pools:

Optimal Health Initiatives Consortium  
Schools of Ohio Risk Sharing Authority

Insurance Purchasing Pool:

Ohio SchoolComp Workers’ Compensation Group Rating Plan

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

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

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements normally distinguish between those activities that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements*

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

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories; governmental and fiduciary.

## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2017**

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#### *Governmental Funds*

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

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

Bond Retirement Fund – The Bond Retirement Debt Service Fund is established to account for the accumulation of resources for, and the payment of, general obligation bond principal and interest and certain other long-term obligations when the School District is obligated for the payment.

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

#### *Fiduciary Funds*

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

#### **Measurement Focus**

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

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities reports increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

##### *Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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

## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

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

**For the Fiscal Year Ended June 30, 2017**

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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.

#### **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 and the financial statements of the fiduciary fund are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined, and "available" means that the resources are collectible 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 School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 for advance and grants.

#### *Deferred Outflows/Inflows of Resources:*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported in the government-wide statement of net position for deferred charges on refunding and for pension. 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 life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statement of financial position reports 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 School

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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District, deferred inflows of resources included property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 12). The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 16.

*Expenses/Expenditures*

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Pension**

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.

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$9,155, which includes \$2,871 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. The School District had no investments as of June 30, 2017.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Interfund Payable". Interfund balances are eliminated on the Statement of Net Position.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

**Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These 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. The School District was able to estimate the historical cost for the initial reporting of assets by back-trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The capitalization threshold is \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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>	<u>Estimated Lives</u>
Land Improvements	25-50 Years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	10 - 20 years
Vehicles	5 - 10 years

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**Compensated Absences**

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

**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 governmental funds. However, compensated absences and net pension liability 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 in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure and liability on the governmental fund financial statements when due.

**Fund Balance**

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

*Nonspendable*

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

*Restricted*

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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*Committed*

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

*Assigned*

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Board of Education. In the general fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Treasurer has been given authority to assign amounts for these purposes by the School District Board of Education. State Statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

*Unassigned*

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance.

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

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, classroom facilities maintenance, Federal and State grants restricted to expenditures for specified purposes, and athletic programs.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.



## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2017**

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#### **Internal Activity**

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

Internal allocation of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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 and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate requested at fiscal year-end. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

#### **Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

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

**For the Fiscal Year Ended June 30, 2017**

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On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

#### **Estimates**

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

#### **NOTE 3 –CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

#### **NOTE 4 - ACCOUNTABILITY**

At June 30, 2017, the Title VI-B and Title I Special Revenue Funds had deficit fund balances of \$578 and \$2,091 respectively. The General Fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

#### **NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$698,749
Adjustments:	
Revenue Accruals	(69,322)
Expenditure Accruals	17,407
Transfers	1,994
Advances	3,254
Encumbrances	<u>(158,536)</u>
Budget Basis	<u><u>\$493,546</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

*Deposits*

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, all of the School District's bank balance of \$2,946,889 was either covered by the Federal Deposit Insurance Corporation or collateralized with pooled securities held by the pledging financial institution in the manner described below.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in calendar year 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Scioto County. The Scioto County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property 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 – property taxes.

The amount available as an advance at June 30, 2017, was \$86,175 in the General Fund, \$1,381 in the Classroom Facilities Maintenance Fund, and \$20,049 in the Bond Retirement Fund. The amount available as an advance at June 30, 2016, was \$34,554 in the General Fund, \$606 in the Classroom Facilities Maintenance Fund, and \$8,128 in the Bond Retirement Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$28,130,620	84.61%	\$29,159,150	79.59%
Public Utility Personal	5,116,510	15.39%	7,476,190	20.41%
Total Assessed Value	<u>\$33,247,130</u>	<u>100.00%</u>	<u>\$36,635,340</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$41.45		 \$41.45	

**NOTE 8 – TAX ABATEMENTS**

School District property taxes were reduced by \$46,022 for fiscal year 2017 under a Community Reinvestment Area agreement that was entered into by the Village of New Boston with Infra-Metals Co. The abatement will last for 10 years with a 75 percent abatement of property taxes.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2017, consisted of property taxes, intergovernmental grants, and interfund. 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
Title I	\$59,940
Title I School Improvement Sub A	2,594
IDEA-B	44,381
Improving Teacher Quality	5,723
High Schools That Work Grant	1,891
Early Childhood Education Grant	17,720
Foundation Adjustment	2,960
BWC Third Billion Back refund	12,747
Total Intergovernmental Receivables	<u>\$147,956</u>

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

**NOTE 10 - CAPITAL ASSETS**

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

	Balance at 6/30/16	Additions	Deductions	Balance at 6/30/17
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$29,077	\$0	\$0	\$29,077
Capital Assets Being Depreciated:				
Land Improvements	642,617	0	0	642,617
Buildings and Improvements	18,307,748	0	0	18,307,748
Furniture, Fixtures and Equipment	1,596,888	14,212	(13,254)	1,597,846
Vehicles	287,128	0	0	287,128
Total Capital Assets Being Depreciated	20,834,381	14,212	(13,254)	20,835,339
Less Accumulated Depreciation:				
Land Improvements	(140,740)	(30,674)	0	(171,414)
Buildings and Improvements	(2,004,624)	(480,282)	0	(2,484,906)
Furniture, Fixtures and Equipment	(743,975)	(122,108)	13,254	(852,829)
Vehicles	(283,898)	(2,121)	0	(286,019)
Total Accumulated Depreciation	(3,173,237)	(635,185) *	13,254	(3,795,168)
Total Capital Assets Being Depreciated, Net	17,661,144	(620,973)	0	17,040,171
Governmental Activities Capital Assets, Net	\$17,690,221	(\$620,973)	\$0	\$17,069,248

\* Depreciation expense was charged to governmental functions as follows:

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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Instruction:	
Regular	\$329,638
Special	8,922
Vocational	1,151
Support Services:	
Pupils	19,400
Instructional Staff	37,103
Administration	68,209
Fiscal	17,980
Operation and Maintenance of Plant	40,198
Pupil Transportation	51,272
Operation of Non-Instructional Services:	
Food Service Operations	47,558
Extracurricular Activities	13,754
Total Depreciation Expense	<u><u>\$635,185</u></u>

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) (Note 18) for property and fleet insurance.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from last fiscal year.

The School District participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 18), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

For fiscal year 2017, the School District participated in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.



## **NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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### **NOTE 12 - DEFINED BENEFIT PENSION PLANS**

#### **Net Pension Liability**

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

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

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

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

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

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

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

Age and service requirements for retirement are as follows:

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 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 years 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$97,173 for fiscal year 2017. Of this amount \$20,259 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be

## **NEW BOSTON LOCAL SCHOOL DISTRICT**

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$262,801 for fiscal year 2017. Of this amount \$38,517 is reported as an intergovernmental payable.

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

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

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02309210%	0.02020715%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.02497450%</u>	<u>0.01916075%</u>	
Change in Proportionate Share	<u>0.00188240%</u>	<u>-0.00104640%</u>	
Proportionate Share of the Net			
Pension Liability	\$1,827,903	\$6,413,681	\$8,241,584
Pension Expense	\$240,090	\$338,109	\$578,199

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$24,654	\$259,144	\$283,798
Changes of assumptions	122,023	0	122,023
Net difference between projected and actual earnings on pension plan investments	150,775	532,508	683,283
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	125,372	0	125,372
School District contributions subsequent to the measurement date	<u>97,173</u>	<u>262,801</u>	<u>359,974</u>
Total Deferred Outflows of Resources	<u>\$519,997</u>	<u>\$1,054,453</u>	<u>\$1,574,450</u>
<b>Deferred Inflows of Resources</b>			
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>\$0</u>	<u>\$466,797</u>	<u>\$466,797</u>

\$359,974 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$124,419	(\$11,291)	\$113,128
2019	124,309	(11,292)	113,017
2020	130,754	193,047	323,801
2021	<u>43,342</u>	<u>154,391</u>	<u>197,733</u>
Total	<u>\$422,824</u>	<u>\$324,855</u>	<u>\$747,679</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial

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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, compared with June 30, 2015, are presented below:

	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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%)
School District's proportionate share of the net pension liability	\$2,420,030	\$1,827,903	\$1,332,268

**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
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences 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 no set back from age 90 and above.

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

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

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

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 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%)
School District's proportionate share of the net pension liability	\$8,523,260	\$6,413,681	\$4,634,126

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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***Changes between Measurement Date and Report Date***

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 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 School District's surcharge obligation was \$12,956.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$12,956, \$12,141, and \$17,845, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
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**State Teachers Retirement System of Ohio**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

**NOTE 14 - EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from Board approved employment contracts and State laws. Eligible classified employees and administrators earn 10 to 20 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. Unlimited sick leave may be accumulated for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for all employees.

**Special Termination Benefits**

Any employee who retires may be given an additional severance payment. Employees who have accumulated more than 212 sick leave days receive an additional amount at the rate of .0008 percent of their current annual salary for each day accumulated in excess of 212 days. Benefits will be paid upon retirement. For fiscal year 2017, no employees were eligible for this benefit.

**Insurance Benefits**

The School District provides life insurance to its employees through Metropolitan Education Council (MEC). The School District also provides health care and dental coverage for its employees with Medical Mutual of Ohio through the Optimal Health Initiatives Consortium, and vision benefits through Vision Service Plan.

**Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a

**NEW BOSTON LOCAL SCHOOL DISTRICT**

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For the Fiscal Year Ended June 30, 2017

voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 15 - CAPITALIZED LEASE - LESSOR DISCLOSURE**

During fiscal year 2010, the School District entered into an operating lease with Nextel Spectrum Acquisition Corporation (Nextel) for the right to use the School District's four Educational Broadband Service channels. The lease automatically renews in five year increments, which includes an increase in the monthly lease payments for each five year renewal. The monthly lease payment and one-time lump sum payment is refundable to Nextel on a pro rata basis if the contract is terminated, or the bandwidth, megahertz, Geographical Service Area (GSA) and population decreases during the life of the lease. The lease payments to the School District are received into the General Fund. During fiscal year 2017, the School District received \$42,000 in lease payments.

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Amount Due Within One Year
Governmental Activities:					
2009 School Facilities Construction and Improvement General Obligation Bonds - 3.0% to 5.0%					
Capital Appreciation Bonds	\$107,336	\$0	\$38,200	\$69,136	\$36,839
Accretion on Capital Appreciation Bonds	152,837	31,691	61,800	122,728	73,161
2016 Refunding General Obligation Bonds - 2.0% to 4.0%					
Serial Bonds	1,000,000	0	85,000	915,000	25,000
Term Bonds	1,910,000	0	0	1,910,000	0
Capital Appreciation Bonds	25,000	0	0	25,000	0
Accretion on Capital Appreciation Bonds	2,010	14,482	0	16,492	0
Unamortized Premium	426,890	0	20,573	406,317	0
Total General Obligation Bonds	<u>3,624,073</u>	<u>46,173</u>	<u>205,573</u>	<u>3,464,673</u>	<u>135,000</u>
Other Long Term Obligations:					
Net Pension Liability:					
SERS	1,317,658	510,245	0	1,827,903	0
STRS	5,584,666	829,015	0	6,413,681	0
Total Net Pension Liability	<u>6,902,324</u>	<u>1,339,260</u>	<u>0</u>	<u>8,241,584</u>	<u>0</u>
Compensated Absences	246,850	18,986	31,825	234,011	31,242
Total General Long-Term Obligations	<u>\$10,773,247</u>	<u>\$1,404,419</u>	<u>\$237,398</u>	<u>\$11,940,268</u>	<u>\$166,242</u>

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On July 8, 2009, the School District issued \$3,462,336 in general obligation bonds for the purpose of paying off the December 2008 bond anticipation notes. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$420,000, \$2,935,000, and \$107,336, respectively. The bonds were issued for a 28 year period with first maturity at November 1, 2009, and final maturity at November 1, 2036.

The capital appreciation bonds, issued at \$107,336, are not subject to prior redemption. The fiscal year 2017 accretion amount was \$31,691. The remaining capital appreciation bonds will mature November 1, 2017, through 2018 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2018	\$110,000
2019	110,000
Total	<u>\$220,000</u>

On April 4, 2016 the School District issued \$2,935,000 in Series 2016 refunding bonds in order to refund the 2009 School Improvement General Obligation Bonds in order to take advantage of lower interest rates. These bonds are paid from the Debt Service Fund and will mature on November 1, 2036. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,000,000, \$1,910,000, and \$25,000, respectively. At June 30, 2017, \$2,935,000 of the refunded bonds were still outstanding.

The current interest term bonds maturing on November 1, 2028 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2027	\$165,000

The remaining principal amount of such current interest term bonds (\$165,000) will be paid at stated maturity on November 1, 2028.

The current interest term bonds maturing on November 1, 2030 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2029	\$175,000

The remaining principal amount of such current interest term bonds (\$175,000) will be paid at stated maturity on November 1, 2030.

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The current interest term bonds maturing on November 1, 2032 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2031	\$185,000

The remaining principal amount of such current interest term bonds (\$195,000) will be paid at stated maturity on November 1, 2032.

The current interest term bonds maturing on November 1, 2036 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on November 1 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2033	\$200,000
2034	210,000
2035	210,000

The remaining principal amount of such current interest term bonds (\$225,000) will be paid at stated maturity on November 1, 2036.

Optional Redemption

The current interest term bonds maturing on or after November 1, 2026 are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after November 1, 2025, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the current interest term bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such current interest term bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

The notice of the call for redemption of current interest term bonds shall identify (i) by designation, letters, numbers or other distinguishing marks, such current interest term bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, and (iv) the place or places where the amounts due upon redemption are payable. From and after the specified redemption date, interest on such current interest term bonds (or portions thereof) called for redemption shall cease to accrue. Such notice shall be sent by first class mail to each such registered holder at the address shown in the Bond registration records at least 30 days prior to the redemption date. Failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of any such current interest term bond.

The capital appreciation bonds, issued at \$25,000, are not subject to prior redemption. The fiscal year 2017 accretion amount was \$14,482. The remaining capital appreciation bonds will mature November 1, 2023 and November 1, 2024 as follows:

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Fiscal Year	Maturity Amount
2024	\$145,000
2025	150,000
Total	<u>\$295,000</u>

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$25,000	\$100,100	\$0	\$0	\$36,839	\$73,161
2019	25,000	99,600	0	0	32,297	77,703
2020	135,000	98,000	0	0	0	0
2021	140,000	95,250	0	0	0	0
2022	145,000	91,675	0	0	0	0
2023-2027	445,000	416,500	0	0	25,000	270,000
2028-2032	0	0	865,000	294,200	0	0
2033-2037	0	0	1,045,000	107,500	0	0
Totals	<u>\$915,000</u>	<u>\$901,125</u>	<u>\$1,910,000</u>	<u>\$401,700</u>	<u>\$94,136</u>	<u>\$420,864</u>

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: General, Food Service, Early Childhood, Title VI-B, Title I, and Title IIA. For additional information related to the net pension liability see Note 12. Compensated absences and special termination benefits will be paid from the General Fund.

The School District's overall legal debt margin was \$642,709 with an unvoted debt margin of \$36,635 at June 30, 2017.

**NOTE 17 - INTERFUND ACTIVITY**

**Advances**

As of June 30, 2017, receivables and payables that resulted from various interfund transactions were as follows:

	<b>Receivable</b>
	<u>General Fund</u>
<b>Payable</b>	<u>\$59,172</u>
Nonmajor Governmental Funds	

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General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

**Transfers**

During fiscal year 2017, the School District received approval from the Ohio School Facilities Commission for the School District to transfer monies from the Ohio School Facilities Construction Project Nonmajor Fund to the Classroom Facilities Maintenance Special Revenue Nonmajor Fund due to the school building project being completed. The transfer was for the amount of \$69,767

**NOTE 18 - JOINTLY GOVERNED ORGANIZATION, PUBLIC ENTITY SHARED RISK POOLS, AND INSURANCE PURCHASING POOL**

**South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG)**

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. The sub-contract agreement is currently set to expire after October 31, 2017. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG \$22,382 for services provided during the fiscal year. Financial information can be obtained from the SCOCA Regional Council of Governments through META Solutions, David Varda, CFO, 100 Executive Drive, Marion Ohio 43302.

## ***NEW BOSTON LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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### **Southern Ohio Academy**

The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom Vernon, Clay, Green, Manchester, Minford, New Boston, Northwest, Oak Hill, Valley, Washington Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

### **Optimal Health Initiatives Consortium**

The School District is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economies of scale to create cost-savings. The Council's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

### **Schools of Ohio Risk Sharing Authority**

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing insurance pool. The pool consists of 62 school districts, joint vocational schools, and educational service centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery, and public official liability coverage. SORSA is governed by a board of trustees elected by members. The School District pays an annual premium to SORSA for this coverage. The self-insured retention by SORSA is \$30,531 for property and automobile physical damage. Reinsurance is purchased to cover claims exceeding this amount and for all claims related to equipment breakdown coverage.

### **Ohio SchoolComp Workers' Compensation Group Rating Plan**

The School District participates in the Ohio SchoolComp Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO) co-sponsor the Group Rating Plan. The Executive Directors of the OSBA and the OASBO, or their designees, serve as coordinators of the program.

**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

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**NOTE 19 - SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Acquisitions</u>
Set-aside Balance as of June 30, 2016	\$0
Current Fiscal Year Set-aside Requirement	77,253
Current year Offsets	<u>(77,253)</u>
Set-aside Balance as of June 30, 2017	<u><u>\$0</u></u>

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year.

**NOTE 20 – SIGNIFICANT COMMITMENTS**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$158,536
Nonmajor Governmental Funds	<u>17,307</u>
Total	<u><u>\$175,843</u></u>

**NOTE 21 – FUND BALANCES**

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



**NEW BOSTON LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

Fund Balances	General Fund	Bond Retirement Fund	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Prepays	\$11,495	\$0	\$350	\$11,845
Inventory	7,707	0	276	7,983
<b><i>Total Nonspendable</i></b>	<b>19,202</b>	<b>0</b>	<b>626</b>	<b>19,828</b>
<b><i>Restricted for</i></b>				
Debt Payment	0	264,664	0	264,664
Food Service Operations	0	0	364,694	364,694
Classroom Facilities Maintenance	0	0	186,833	186,833
Athletic Programs	0	0	25,506	25,506
State and Local Grants	0	0	18,381	18,381
Federal Grants	0	0	12,277	12,277
<b><i>Total Restricted</i></b>	<b>0</b>	<b>264,664</b>	<b>607,691</b>	<b>872,355</b>
<b><i>Committed to</i></b>				
Bus Purchase	85,174	0	0	85,174
<b><i>Assigned to</i></b>				
Purchases on Order	39,477	0	0	39,477
<b><i>Unassigned (Deficit)</i></b>	<b>1,666,409</b>	<b>0</b>	<b>(2,669)</b>	<b>1,663,740</b>
<b><i>Total Fund Balances</i></b>	<b>\$1,810,262</b>	<b>\$264,664</b>	<b>\$605,648</b>	<b>\$2,680,574</b>

**NOTE 22 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, Foundation funding for the School District; therefore, any financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the School District.

***NEW BOSTON LOCAL SCHOOL DISTRICT***

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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**Litigation**

The School District is party to legal proceedings. However, no liability has been accrued since the ultimate disposition of these claims and legal proceedings has yet to be determined and the amount of liability, if any, is not measurable.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.02497450%	0.02309210%	0.02187900%	0.02187900%
School District's Proportionate Share of the Net Pension Liability	\$1,827,903	\$1,317,658	\$1,107,284	\$1,301,074
School District's Covered Payroll	\$849,614	\$722,036	\$635,763	\$605,809
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	215.15%	182.49%	174.17%	214.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.01916075%	0.02020715%	0.02158547%	0.02158547%
School District's Proportionate Share of the Net Pension Liability	\$6,413,681	\$5,584,666	\$5,250,334	\$6,254,163
School District's Covered Payroll	\$2,142,386	\$2,108,093	\$2,124,500	\$2,148,269
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	299.37%	264.92%	247.13%	291.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

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

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

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***New Boston Local School District***  
 Required Supplementary Information  
 Schedule of School District Contributions  
 School Employees Retirement System of Ohio  
 Last Ten fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$97,173	\$118,946	\$95,164	\$88,117	\$83,844
Contributions in Relation to the Contractually Required Contribution	<u>(97,173)</u>	<u>(118,946)</u>	<u>(95,164)</u>	<u>(88,117)</u>	<u>(83,844)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$694,093	\$849,614	\$722,036	\$635,763	\$605,809
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$58,820	\$76,862	\$97,752	\$67,746	\$56,637
<u>(58,820)</u>	<u>(76,862)</u>	<u>(97,752)</u>	<u>(67,746)</u>	<u>(56,637)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$437,323	\$611,473	\$721,948	\$688,471	\$576,747
13.45%	12.57%	13.54%	9.84%	9.82%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$262,801	\$299,934	\$295,133	\$276,185	\$279,275
Contributions in Relation to the Contractually Required Contribution	<u>(262,801)</u>	<u>(299,934)</u>	<u>(295,133)</u>	<u>(276,185)</u>	<u>(279,275)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,877,150	\$2,142,386	\$2,108,093	\$2,124,500	\$2,148,269
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$276,439	\$296,875	\$270,227	\$256,230	\$264,572
<u>(276,439)</u>	<u>(296,875)</u>	<u>(270,227)</u>	<u>(256,230)</u>	<u>(264,572)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,126,454	\$2,283,654	\$2,078,669	\$1,971,000	\$2,035,169
13.00%	13.00%	13.00%	13.00%	13.00%

**NEW BOSTON LOCAL SCHOOL DISTRICT**  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017

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**Changes in Assumptions - SERS**

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	3L60	\$ 27,557
Cash Assistance:			
School Breakfast Program	10.553	3L70	97,692
National School Lunch Program	10.555	3L60	200,509
Total Child Nutrition Cluster			<u>325,758</u>
Total U.S. Department of Agriculture			<u><b>325,758</b></u>
<b>U.S. DEPARTMENT OF Education</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	3M00	342,243
Title I School Improvement Sub A			53,857
Total Title I Grants to Local Educational Agencies			<u>396,100</u>
Special Education Cluster:			
Special Education Grants to States	84.027	3M20	92,283
Total Special Education Cluster			92,283
Supporting Effective Instruction State Grant	84.367	3Y60	39,145
Teacher and School Leader Incentive Grants	84.374	3CG0	40,110
Total U.S. Department of Education			<u><b>567,638</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 893,396</b></u>

**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

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

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

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

New Boston Local School District  
Scioto County  
#1 Glenwood Tiger Trail  
New Boston, Ohio 45662

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 the New Boston Local School District, Scioto County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2018.

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

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

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

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

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

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2018



# Dave Yost • Auditor of State

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

New Boston Local School District  
Scioto County  
#1 Glenwood Tiger Trail  
New Boston, Ohio 45662

To the Board of Education:

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 12, 2018



**NEW BOSTON LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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

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

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

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

None.

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

None.

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# Dave Yost • Auditor of State

NEW BOSTON LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 1, 2018