



Dave Yost • Auditor of State

**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY
JUNE 30, 2017**

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VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY
JUNE 30, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Vinton County Local School District
Vinton County
307 West High Street
McArthur, Ohio 45651

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 the Vinton County Local School District, Vinton 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 the Vinton County Local School District, Vinton County, Ohio, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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 March 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

March 12, 2018

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Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of the Vinton County Local School District's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of Vinton County Local School District exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$31,791,697. Of this amount, \$41,552,064 represents the net investment in capital assets and \$4,158,268 that is restricted for specific purposes. The remaining (\$13,918,635) represents unrestricted net position.
- In total, net position of governmental activities decreased by \$1,569,765 which represents a 5 percent decrease from 2016.
- General revenues accounted for \$23,549,665 or 79 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,439,875 or 21 percent of total revenues of \$29,989,540.
- The District had \$31,559,305 in expenses related to governmental activities; only \$6,439,875 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) and net position carried over from prior year were used to provide for the remainder of these programs.
- The District recognizes two major governmental funds: the General and Bond Retirement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$26,401,131 in revenues and other financing sources and \$24,406,040 in expenditures and other financing uses in fiscal year 2017.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Vinton County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. These statements include all assets, liabilities, and deferred inflows/outflows 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 year's revenues and expenses regardless of when cash is received or paid.

Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference between these reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District's activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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Fiduciary Fund

The District's only fiduciary fund is an agency fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fiduciary funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Recall that the statement of net position provides the perspective of the District as a whole, showing assets, liabilities, deferred inflows/outflows of resources, and the difference between them (net position). Table 1 provides a summary of the District's net position for 2017 compared to fiscal year 2016:

Table 1
Net Position
Governmental Activities

	2017	2016
<i>Assets</i>		
Current and Other Assets	\$32,308,661	\$30,043,623
Capital Assets, Net	45,969,765	48,295,815
Total Assets	78,278,426	78,339,438
Deferred Outflows of Resources	7,627,424	3,573,052
<i>Liabilities</i>		
Current and Other Liabilities	2,631,124	3,108,980
Long-Term Liabilities	45,383,847	37,682,378
Total Liabilities	48,014,971	40,791,358
Deferred Inflows of Resources	6,099,182	7,759,670
<i>Net Position</i>		
Net Investment in Capital Assets	41,552,064	43,342,845
Restricted	4,158,268	4,076,880
Unrestricted (Deficit)	(13,918,635)	(14,058,263)
Total Net Position	\$31,791,697	\$33,361,462

Current and other assets increased \$2,265,038 from fiscal year 2016 due primarily to increases in cash and cash equivalents held by the District and property taxes receivables. Capital assets, net decreased \$2,326,050 as a result of current depreciation and deletions exceeding additions for the fiscal year.

Deferred outflows of resources increased \$4,054,372 between years due to an increase in amounts related to the District's proportionate share of the state-wide net pension liability.

Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Current and other liabilities decreased \$477,856 between years due to decreases in accrued wages and benefits. Long-term liabilities increased by \$7,701,469 due to an increase in net pension liability estimates and the issuance of energy conservation notes, which was partially offset by scheduled principal payments of debt obligations.

Deferred inflows of resources decreased \$1,660,488 between years due to a decrease in amounts related to the District's proportionate share of the state-wide net pension liability.

The District's largest portion of net position is related to the net investment in capital assets. This accounts for 131 percent of net position. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. The District's next largest portion of net position is restricted net position. The restricted net position is subject to external restrictions on how they may be used and accounts for 13 percent of total net position. The remaining balance of (\$13,918,635) or (44) percent is unrestricted. This net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors. This classification of net position was and continues to be significantly adversely affected by the implementation of GASB Statement No. 68 in 2015.

Table 2 shows the changes in net position for fiscal year 2017 and provides a comparison to fiscal year 2016.

Table 2
Changes in Net Position
Governmental Activities

	2017	2016
<i>Revenues</i>		
<i>Program Revenue</i>		
Charges for Services and Sales	\$1,366,773	\$1,234,006
Operating Grants and Contributions	5,073,102	4,867,879
Total Program Revenue	6,439,875	6,101,885
<i>General Revenue</i>		
Property and Other Taxes	5,933,398	5,712,408
Unrestricted Grants and Entitlements	17,231,981	17,194,246
Unrestricted Gifts and Contributions	20,921	0
Investment Earnings	160,132	67,598
Insurance Recoveries	6,187	0
Miscellaneous	197,046	309,795
Total General Revenue	23,549,665	23,284,047
Total Revenues	29,989,540	29,385,932

Property taxes and unrestricted grants remained relatively consistent between years. Investment earnings increased between years due to increase cash on hand due to the issuance of energy conservation notes that were not spent by year end. Miscellaneous revenue decreased due to the recognition of a trade-in on copier leases in the prior year.

Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2
Changes in Net Position
Governmental Activities
(Continued)

	2017	2016
<i>Expenses</i>		
<i>Program Expenses</i>		
<i>Instruction</i>		
Regular	\$13,554,430	\$12,364,780
Special	3,123,633	2,891,499
Vocational	300,065	278,177
Other	1,829,501	1,688,080
<i>Support Services</i>		
Pupils	1,576,837	1,413,155
Instructional Staff	997,898	914,194
Board of Education	396,781	414,989
Administration	2,141,660	1,990,043
Fiscal	511,917	464,054
Operation and Maintenance of Plant	2,256,579	2,304,075
Pupil Transportation	2,413,242	2,251,408
Central	639,005	545,563
Operation of Non-Instructional Services	1,145,629	1,156,700
Extracurricular Activities	434,877	392,961
<i>Debt Service:</i>		
Interest and Fiscal Charges	215,651	218,969
Issuance Costs	21,600	0
Total Expenses	31,559,305	29,288,647
<i>Change in Net Position</i>	(1,569,765)	97,285
<i>Net Position Beginning of Year</i>	33,361,462	33,264,177
<i>Net Position End of Year</i>	<u>\$31,791,697</u>	<u>\$33,361,462</u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Other Instruction, Pupils Support Services, Instructional Staff, Administration, Operation and Maintenance of Plant, Pupil Transportation and Non-Instructional Services. These programs account for 93 percent of the total governmental activities. Regular Instruction accounts for 43 percent of the total and represents costs associated with providing general educational services. Special Instruction accounts for 10 percent of the total and represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Other Instruction accounts for 6 percent of the total and represents costs associated with open enrollment and community school tuition. Pupils, which represent 5 percent of the total cost, represent costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Instructional Staff accounts for 3 percent of the total and represents costs associated with assisting instructional staff with providing learning experiences for students. Administration accounts for 7 percent of the total and represents costs associated with the overall administrative responsibility for each building and the District as a whole. Operation and Maintenance of Plant accounts for 7 percent of the total and represents costs associated with operating and maintaining the District's facilities. Pupil Transportation accounts for 8 percent of the total and represents costs associated with providing transportation services for students between home and school and to school activities. Non-Instructional Services accounts for 4 percent of the total and primarily represents food service operations.

Vinton County Local School District
Management's Discussion and Analysis
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The majority of the funding for the most significant programs indicated above is from grants and entitlements not restricted for specific programs, property taxes, and operating grants and contributions. Operating grants and contributions, property taxes, and grants and entitlements account for 94 percent of total revenues.

As noted previously, the net position for the governmental activities decreased \$1,569,765 or 5 percent. Total revenues increased \$603,608 or 2 percent from last year, primarily the result of small increases for various revenues. Expenses increased \$2,270,658 or 8 percent from last year, primarily due to increases in personnel costs and interest expense.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 20 percent and intergovernmental revenue made up 74 percent of the total revenue for the governmental activities in fiscal year 2017.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home was reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District voters approved a bond retirement tax levy for 3.82 mills in November 1997 as part of a \$5,010,000 bond issue for the construction of a new high school. Of the 3.82 mills, 3.32 mills are used for the retirement of the bonds and the remaining .5 mills are used for repairs and maintenance of the new facilities. The District voters also approved a bond retirement tax levy for 1.48 mills as part of the construction of the new elementary schools in addition to high school and new middle school. In fiscal year 2017, these levies generated \$679,327 in tax revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2017, the District received \$17,831,302 through the State's foundation program, which represents 60 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current level of service.

Instruction accounts for 60 percent of governmental activities program expenses. Support services expenses make up 35 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services for fiscal year 2017 as compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 3
Net Cost of Governmental Activities

	Total Cost of	Net Cost of	Total Cost of	Net Cost of
	Services	Services	Services	Services
	2017	2017	2016	2016
<i>Program Expenses</i>				
Instruction	\$18,807,629	\$15,182,667	\$17,222,536	\$13,896,120
Support Services	10,933,919	9,440,041	10,297,481	8,843,055
Operation of Non-Instructional Services	1,145,629	(3,072)	1,156,700	(12,191)
Extracurricular Activities	434,877	262,543	392,961	240,809
Debt Service	237,251	237,251	218,969	218,969
Total	\$31,559,305	\$25,119,430	\$29,288,647	\$23,186,762

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$30,947,646 and expenditures and other financing uses of \$28,856,451.

Total governmental funds experienced an increase of \$2,091,195 in fund balance. The increase in fund balance for the year was most significant in the General Fund, which experienced a \$1,995,091 increase, the result of revenues in excess of expenditures. The Bond Retirement Fund had an increase in fund balance of \$139,741 due to revenues exceeding expenditures during the current year.

The District should remain stable in fiscal years 2018 through 2019. However, projections beyond fiscal year 2019 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of fiscal year 2017, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis estimate of revenue was \$23,929,318 which was not amended from the original budget. The final budget basis estimate of expenditures was \$24,860,198 representing an increase of \$20,204 from the original budget. Ending unobligated fund balance was \$19,491,054, which was \$2,345,151 above the final estimated amount.

Vinton County Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$79 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$33 million. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016.

Table 4
Capital Assets and Accumulated Depreciation at Year End
Governmental Activities

	2017	2016
<i>Nondepreciable Capital Assets</i>		
Land	\$1,376,059	\$1,376,059
<i>Depreciable Capital Assets</i>		
Land Improvements	9,888,537	9,881,267
Buildings and Improvements	59,547,274	59,544,484
Furniture, Fixtures and Equipment	5,170,898	5,132,831
Vehicles	3,107,135	3,053,382
Total Capital Assets	79,089,903	78,988,023
<i>Less Accumulated Depreciation</i>		
Land Improvements	(5,448,260)	(4,961,575)
Buildings and Improvements	(20,911,908)	(19,134,777)
Furniture, Fixtures and Equipment	(4,355,860)	(4,206,219)
Vehicles	(2,404,110)	(2,389,637)
Total Accumulated Depreciation	(33,120,138)	(30,692,208)
Capital Assets, Net	\$45,969,765	\$48,295,815

More detailed information pertaining to the District's capital asset activity can be found in note 9 of the notes to the basic financial statements.

Debt Administration

At June 30, 2017, the District had bus notes, refunding bonds, and capital leases outstanding with \$748,557 due within one year. Table 5 summarizes bonds, notes, and capital leases outstanding for fiscal year 2017 compared to fiscal year 2016.

Table 5
Outstanding Debt, Governmental Activities at Year End

	2017	2016*
Bus Note	\$92,000	\$184,000
Refunding Bonds	4,354,758	4,734,787
Energy Note	960,000	0
Capital Leases	273,826	299,004
Total	\$5,680,584	\$5,217,791

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

*Changes were made to the prior year presentation for consistency with the current year presentation of debt balances.

More detailed information pertaining to the District's long-term debt activity can be found in notes 13 and 14 of the notes to the basic financial statements.

Current Issues

Vinton County Local School District is financially stable, and has been over the past several years although the financial future of the District is not without its challenges. The District relies on revenue from local property taxes as well as revenue from unrestricted state funding sources (approximately 77 percent). State foundation revenue is based on a district's student enrollment and property tax wealth. In 2017, due to the declining enrollment and increase in property valuation due to a tax abatement that expired in 2014 the District was placed onto the guarantee for state funding. Since 2016, the District has continued to be on the guarantee. The current state budget has the guarantee set to not allow a district to drop below FY15 funding levels so the district has not seen any additional state funding; however, the District did see an increase in tax revenue due to the expiration of the tax abatement as well as public utility property valuation tax increases.

The Vinton County Local Board of Education is committed to being financially responsible and with increased expenditures and declining revenues the District will need to continue to implement cost saving and cost containing measures in an attempt to have a balanced budget.

It is important to note that in March 1997, the State of Ohio was found by the Supreme Court to be operating an unconstitutional funding system one that was neither adequate nor equitable. As long as the State avoids a complete overhaul of the funding system that the Supreme Court has ordered in its ruling, all schools in Ohio will be faced with the same problem in the future, to either increase its revenue by passing levies or decrease expenses by making budget cuts.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Erica Zinn, Treasurer of Vinton County Local School Board of Education, 307 West High Street, McArthur, Ohio 45651.

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Vinton County Local School District
Statement of Net Position
As of June 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$23,278,143
Cash and Cash Equivalents in Segregated Accounts	222
Inventory Held for Resale	13,747
Accrued Interest Receivable	26,756
Intergovernmental Receivable	631,706
Prepaid Items	44,831
Property Taxes Receivable	8,311,278
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	1,978
Nondepreciable Capital Assets	1,376,059
Depreciable Capital Assets, net	44,593,706
<i>Total Assets</i>	<i>78,278,426</i>
Deferred Outflows of Resources:	
Deferred Charges on Refunding	218,536
Pension	7,408,888
<i>Total Deferred Outflows of Resources</i>	<i>7,627,424</i>
Liabilities:	
Accounts Payable	32,228
Accrued Wages and Benefits	2,205,611
Intergovernmental Payable	340,527
Accrued Interest Payable	12,758
Early Retirement Incentive Payable	40,000
Long-Term Liabilities:	
Due Within One Year	835,275
Due in More Than One Year	5,566,804
Net Pension Liability	38,981,768
<i>Total Liabilities</i>	<i>48,014,971</i>
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	5,283,167
Pension	816,015
<i>Total Deferred Inflows of Resources</i>	<i>6,099,182</i>
Net Position:	
Net Investment in Capital Assets	41,552,064
Restricted for Debt Service	2,715,233
Restricted for Capital Outlay	10,973
Restricted for Other Purposes	1,423,365
Restricted for Set Asides	8,697
Unrestricted (Deficit)	(13,918,635)
<i>Total Net Position</i>	<i>\$31,791,697</i>

The notes to the basic financial statements are an integral part of this statement

Vinton County Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$13,554,430	\$254,595	\$614,382	(\$12,685,453)
Special	3,123,633	56,664	2,349,521	(717,448)
Vocational	300,065	6,956	76,288	(216,821)
Other	1,829,501	37,629	228,927	(1,562,945)
Support Services:				
Pupils	1,576,837	29,346	316,936	(1,230,555)
Instructional Staff	997,898	15,627	326,055	(656,216)
Board of Education	396,781	7,877	0	(388,904)
Administration	2,141,660	48,631	75,913	(2,017,116)
Fiscal	511,917	12,074	0	(499,843)
Operation and Maintenance of Plant	2,256,579	46,058	7,125	(2,203,396)
Pupil Transportation	2,413,242	55,159	3,964	(2,354,119)
Central	639,005	549,113	0	(89,892)
Operation of Non-Instructional Services	1,145,629	88,366	1,060,335	3,072
Extracurricular Activities	434,877	158,678	13,656	(262,543)
Debt Service:				
Interest and Fiscal Charges	215,651	0	0	(215,651)
Issuance Costs	21,600	0	0	(21,600)
<i>Total Governmental Activities</i>	<u>\$31,559,305</u>	<u>\$1,366,773</u>	<u>\$5,073,102</u>	(25,119,430)

General Revenues:

Property Taxes Levied for:		
General Purposes		5,136,777
Capital Maintenance		117,294
Debt Service		679,327
Grants and Entitlements not		
Restricted for Specific Programs		17,231,981
Gifts and Contributions not		
Restricted for Specific Programs		20,921
Investment Earnings		160,132
Insurance Recoveries		6,187
Miscellaneous		197,046
<i>Total General Revenues</i>		<u>23,549,665</u>
<i>Change in Net Position</i>		(1,569,765)
<i>Net Position Beginning of Year</i>		<u>33,361,462</u>
<i>Net Position End of Year</i>		<u>\$31,791,697</u>

The notes to the basic financial statements are an integral part of this statement

Vinton County Local School District
Balance Sheet
Governmental Funds
As of June 30, 2017

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$19,629,773	\$2,370,883	\$1,268,790	\$23,269,446
Cash and Cash Equivalents in Segregated Accounts	0	0	222	222
Inventory Held for Resale	0	0	13,747	13,747
Accrued Interest Receivable	26,756	0	0	26,756
Interfund Receivable	276,714	0	0	276,714
Intergovernmental Receivable	13,086	0	618,620	631,706
Prepaid Items	44,831	0	0	44,831
Property Taxes Receivable	7,208,020	944,175	159,083	8,311,278
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	10,675	0	0	10,675
<i>Total Assets</i>	<u>\$27,209,855</u>	<u>\$3,315,058</u>	<u>\$2,060,462</u>	<u>\$32,585,375</u>
Liabilities:				
Accounts Payable	\$28,736	\$0	\$3,492	\$32,228
Accrued Wages and Benefits	1,947,644	0	257,967	2,205,611
Interfund Payable	0	0	276,714	276,714
Intergovernmental Payable	324,085	0	16,442	340,527
Early Retirement Incentive Payable	40,000	0	0	40,000
<i>Total Liabilities</i>	2,340,465	0	554,615	2,895,080
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	4,581,336	599,825	102,006	5,283,167
Unavailable Revenue	2,147,936	281,588	276,846	2,706,370
<i>Total Deferred Inflows of Resources</i>	6,729,272	881,413	378,852	7,989,537
Fund Balances:				
Nonspendable	45,706	0	0	45,706
Restricted	8,697	2,433,645	1,232,953	3,675,295
Committed	106,371	0	0	106,371
Assigned	794,509	0	0	794,509
Unassigned (Deficit)	17,184,835	0	(105,958)	17,078,877
<i>Total Fund Balances</i>	<u>18,140,118</u>	<u>2,433,645</u>	<u>1,126,995</u>	<u>21,700,758</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$27,209,855</u>	<u>\$3,315,058</u>	<u>\$2,060,462</u>	<u>\$32,585,375</u>

The notes to the basic financial statements are an integral part of this statement.

Vinton County Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 As of June 30, 2017*

Total Governmental Fund Balances \$21,700,758

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. 45,969,765

Some of the District's receivables will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. Those receivables consist of:

Intergovernmental	230,173	
Taxes	2,476,197	
Total	2,706,370	2,706,370

Deferred outflows of resources represent deferred charges on refundings which do not provide current financial resources and therefore are not reported in the funds. 218,536

The net pension liability is not due and payable in the current period. Therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows-Pension	7,408,888	
Deferred Inflows-Pension	(816,015)	
Net Pension Liability	(38,981,768)	
Total	(32,388,895)	(32,388,895)

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

Bus Notes	(92,000)	
Refunding Bonds	(3,827,893)	
Premium on Refunding Bonds	(526,865)	
Energy Conservation Notes	(960,000)	
Accrued Interest on Bonds	(12,758)	
Compensated Absences	(721,485)	
Capital Lease Obligations	(273,836)	
Total	(6,414,837)	(6,414,837)

Net Position of Governmental Activities \$31,791,697

The notes to the basic financial statements are an integral part of this statement

Vinton County 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	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$5,044,372	\$671,084	\$110,617	\$5,826,073
Intergovernmental	18,789,517	67,413	3,397,374	22,254,304
Interest	157,827	0	2,167	159,994
Increase in Fair Value of Investments	2,290	0	0	2,290
Tuition and Fees	576,358	0	0	576,358
Rent	775	0	0	775
Extracurricular Activities	49,651	0	104,802	154,453
Gifts and Donations	24,600	0	9,977	34,577
Customer Sales and Services	547,508	0	87,679	635,187
Miscellaneous	197,046	0	0	197,046
<i>Total Revenues</i>	25,389,944	738,497	3,712,616	29,841,057
Expenditures:				
Current:				
Instruction:				
Regular	10,264,225	0	613,814	10,878,039
Special	2,253,274	0	718,798	2,972,072
Vocational	279,687	0	4,196	283,883
Other	1,572,239	0	234,119	1,806,358
Support Services:				
Pupils	1,178,492	0	328,067	1,506,559
Instructional Staff	651,334	0	334,023	985,357
Board of Education	333,950	31,043	4,953	369,946
Administration	1,997,173	0	78,475	2,075,648
Fiscal	497,224	0	0	497,224
Operation and Maintenance of Plant	1,871,632	0	243,311	2,114,943
Pupil Transportation	2,255,862	0	5,668	2,261,530
Central	635,243	0	0	635,243
Operation of Non-Instructional Services	39,360	0	1,058,343	1,097,703
Extracurricular Activities	248,474	0	103,627	352,101
Capital Outlay	131,297	0	28,859	160,156
Debt Service:				
Principal	70,168	572,000	0	642,168
Interest	9,404	91,115	0	100,519
Issuance Costs	21,600	0	0	21,600
<i>Total Expenditures</i>	24,310,638	694,158	3,756,253	28,761,049
<i>Excess of Revenues Over (Under) Expenditures</i>	1,079,306	44,339	(43,637)	1,080,008
Other Financing Sources (Uses):				
Transfers In	0	95,402	0	95,402
Other Notes Issued	960,000	0	0	960,000
Insurance Recoveries	6,187	0	0	6,187
Inception of Capital Lease	45,000	0	0	45,000
Transfers Out	(95,402)	0	0	(95,402)
<i>Total Other Financing Sources (Uses)</i>	915,785	95,402	0	1,011,187
<i>Net Change in Fund Balances</i>	1,995,091	139,741	(43,637)	2,091,195
<i>Fund Balance at Beginning of Year</i>	16,145,027	2,293,904	1,170,632	19,609,563
<i>Fund Balance at End of Year</i>	<u>\$18,140,118</u>	<u>\$2,433,645</u>	<u>\$1,126,995</u>	<u>\$21,700,758</u>

The notes to the basic financial statements are an integral part of this statement.

Vinton County 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 \$2,091,195

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

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

Capital Asset Additions	160,156	
Current Year Depreciation	(2,486,206)	
Total	(2,326,050)	(2,326,050)

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

Intergovernmental	34,971	
Taxes	107,325	
Total	142,296	142,296

Contractually required contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows. 1,977,992

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,987,884)

Notes issued are reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (960,000)

Repayments of bond and note principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 572,000

The inception of capital lease reported in the statement of revenues, expenditures and changes in fund balances that are reported as other financial sources are not reported as revenues in the statement of activities. (45,000)

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities. 70,168

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds an interest expenditure is reported when due. (1,502)

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

Compensated Absences	10,650	
Amortization of Premium on Bonds	33,101	
Amortization of Deferred Charge on Refunding	(13,659)	
Accretion on Refunding Bonds	(133,072)	
Total	(102,980)	(102,980)

Net Change in Net Position of Governmental Activities (\$1,569,765)

The notes to the basic financial statements are an integral part of this statement

Vinton County Local School District
*Statement of Revenues, Expenditures and Change
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$4,622,600	\$4,622,600	\$5,037,675	\$415,075
Intergovernmental	18,661,318	18,661,318	18,768,400	107,082
Interest	40,000	40,000	131,071	91,071
Tuition and Fees	467,400	467,400	575,671	108,271
Rent	0	0	775	775
Gifts and Donations	0	0	20,921	20,921
Miscellaneous	138,000	138,000	197,046	59,046
<i>Total Revenues</i>	23,929,318	23,929,318	24,731,559	802,241
Expenditures:				
Current:				
Instruction:				
Regular	10,504,016	10,504,016	10,471,626	32,390
Special	2,350,878	2,350,878	2,317,268	33,610
Vocational	301,566	301,566	300,983	583
Other	1,583,050	1,583,050	1,580,239	2,811
Support Services:				
Pupils	1,242,677	1,242,677	1,195,603	47,074
Instructional Staff	609,883	630,087	683,620	(53,533)
Board of Education	407,551	407,551	343,555	63,996
Administration	2,035,796	2,035,796	2,046,001	(10,205)
Fiscal	517,211	517,211	503,584	13,627
Operation and Maintenance of Plant	2,306,023	2,306,023	2,134,499	171,524
Pupil Transportation	2,695,672	2,695,672	2,401,240	294,432
Central	41,973	41,973	68,192	(26,219)
Operation of Non-Instructional Services	41,660	41,660	39,360	2,300
Extracurricular Activities	202,038	202,038	180,703	21,335
Debt Service:				
Issuance Costs	0	0	21,600	(21,600)
<i>Total Expenditures</i>	24,839,994	24,860,198	24,288,073	572,125
<i>Excess of Revenues Over (Under) Expenditures</i>	(910,676)	(930,880)	443,486	1,374,366
Other Financing Sources (Uses):				
Transfers In	0	0	211,460	211,460
Other Notes Issued	0	0	960,000	960,000
Insurance Recoveries	0	0	6,187	6,187
Transfers Out	(100,000)	(100,000)	(306,862)	(206,862)
<i>Total Other Financing Sources (Uses)</i>	(100,000)	(100,000)	870,785	970,785
<i>Net Change in Fund Balances</i>	(1,010,676)	(1,030,880)	1,314,271	2,345,151
<i>Fund Balance at Beginning of Year</i>	17,863,821	17,863,821	17,863,821	0
<i>Prior Year Encumbrances Appropriated</i>	312,962	312,962	312,962	0
<i>Fund Balance at End of Year</i>	\$17,166,107	\$17,145,903	\$19,491,054	\$2,345,151

The notes to the basic financial statements are an integral part of this statement.

Vinton County Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
As of June 30, 2017

	<u>Agency Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$80,428</u>
<i>Total Assets</i>	<u><u>\$80,428</u></u>
Liabilities:	
Due to Students	<u>\$80,428</u>
<i>Total Liabilities</i>	<u><u>\$80,428</u></u>

The notes to the basic financial statements are an integral part of this statement.

Note 1 – Description of the District and Reporting Entity

Description of the District

Vinton County Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's five (5) instructional support facilities staffed by 92 non-certificated, 158 teaching personnel and 17 administrative employees providing education to approximately 2,061 students.

Reporting Entity

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

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organizations
- Booster Clubs

The District is associated with six jointly governed organizations. These organizations are the South Central Ohio Computer Association, the Gallia-Vinton Educational Service Center, the Gallia-Jackson-Vinton Joint Vocational School District, the State Support Team Region 16, the Ohio Coalition of Equity and Adequacy of School funding, and the Coalition of Rural and Appalachian Schools. These organizations are presented in note 19 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

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

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Basis of Presentation

The District's basic financial statements consist of government-wide financial 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the 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.

Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The 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 District fall within two categories: governmental and fiduciary.

Governmental Funds

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

The following are the District's major governmental funds:

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Bond Retirement Fund - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

The other governmental funds of the District account for grants and other resources of the District 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

Measurement Focus

Government-Wide Financial Statements

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

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 bases of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year-end: property taxes available for advance, grants and interest.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position and amounts for pensions. 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. Information on pensions is presented in note 10.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants, and pensions. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources on the statement of net position and governmental fund balance sheet. Grants and entitlements not received within the available period and delinquent property taxes due at June 30, 2017, are recorded as deferred inflows of resources in the governmental funds and as revenue on the statement of activities. Information on pensions is presented in note 10.

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.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Cash and Cash Equivalents

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

During the fiscal year 2017, the District's investments were limited to money market funds, certificates of deposit, and STAROhio. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments could be sold for on June 30, 2017.

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 District during fiscal year 2017 amounted to \$157,827 credited to the General Fund and \$2,167 in Other Governmental Funds. The District also experienced an increase in the fair value of investments in the amount of \$2,290, which was also credited to the General Fund.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

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

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 year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required to be restricted for capital acquisitions and committed for school bus purchases. See note 17 for additional information on set-asides.

Capital Assets

General capital assets are associated with and generally arise from governmental activities. 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.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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	20 - 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	15 years

Interfund Balances

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

Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid. The District recognized no matured compensated absences payable as of June 30, 2017.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination of benefits and contractually required pension contributions 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 year. Bonds, notes, and capital leases are recognized as a liability on the fund financial statements when due.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's restricted net position, none is restricted by enabling legislation.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education, the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Interfund Transactions

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2017, the District reported no extraordinary or special items.

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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Process

All funds, other than the agency fund, 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 of Education at the fund level. The District Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund and function.

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

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

Bond Premium

Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

On the governmental fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Pensions

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

Note 3 – Accountability

At June 30, 2017, the Public School Preschool, Miscellaneous State Grant, Title VI-B, Title I, and Title VI-R Funds had deficit balances of \$18,433, \$1,088, \$25,632, \$31,183, and \$29,622, respectively. The deficits in these funds are the result of the application of generally accepted accounting principles, the requirement to accrue liabilities when incurred, and the anticipation of state and federal grant funds for reimbursement of expenditures. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 4 – Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budget basis as provided by law and described above 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 (non-GAAP basis) and actual is presented for the General Fund on the budget 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental funds (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. Certain agency funds are also considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Public School Support, Employee Benefits Special Revenue Funds and the Unclaimed Monies Agency Fund.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Net Change in Fund Balance	
GAAP Basis	\$1,995,091
Revenue Accruals	109,600
Expenditure Accruals	(574,279)
Encumbrances	(252,363)
(Excess) Deficit of Funds Combined with General Fund for Reporting Purposes	36,222
Budget Basis	\$1,314,271

Note 5 – Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

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

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

- (1) United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair 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 fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Vinton County Local School District
Notes to the Basic Financial Statements
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- (6) The State Treasurer's investment pool (STAROhio);
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements," and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at federal reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the federal reserve bank in the name of the District. The District’s policy does not address this risk beyond the requirements of the Ohio Revised Code.

At June 30, 2017, the carrying amount of all District deposits was \$4,017,753. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of June 30, 2017, \$554,159 of the District’s bank balance of \$4,396,152 was covered by Federal Deposit Insurance. The remaining \$3,841,993 was collateralized with securities held by the District or its agent in the District’s name.

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

Investment Type	Fair Value	Maturity
STAROhio	\$11,282,682	Less Than 1 Year
Money Market	275	Less Than 1 Year
Negotiable CDs	3,957,818	Less Than 1 Year
Negotiable CDs	1,192,449	1-2 Years
Negotiable CDs	2,909,794	3-5 Years
Total	<u>\$19,343,018</u>	

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the District to meet all operating requirements.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to STAROhio, money market funds, and negotiable certificates of deposit as described in Ohio Revised Code Section 135.143A(2). Investments in STAROhio were rated AAAM by Standard & Poor’s. Investments in the money market fund and negotiable certificates of deposit are not rated, although the certificates of deposit are covered by FDIC in the manner described in the deposits section above.

Vinton County Local School District
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Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments in eligible securities as described in the Ohio Revised Code. The District has invested 58 percent of its investments in STAROhio and 42 percent in negotiable certificates of deposit.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All of the District’s investments are either insured and registered in the name of the District or at least registered in the name of the District.

Note 6 – Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the 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 thirty-five 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 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Vinton, Gallia, Jackson and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each 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 represents delinquent taxes outstanding and real property and public utility taxes which became measurable as of June 30, 2017. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

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

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

Vinton County 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
Agricultural/Residential and Other Real Estate	\$173,174,340	60.16%	\$169,870,840	56.72%
Public Utility Personal	114,701,400	39.84%	129,638,390	43.28%
Total Assessed Value	\$287,875,740	100.00%	\$299,509,230	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$21.68		\$21.68	

Note 7 – Receivables

Receivables at June 30, 2017 consisted of taxes, interfund, interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<i>Major Fund:</i>	
General	\$13,086
 <i>Nonmajor Funds:</i>	
Public School Preschool	88,113
Agriculture Education	420
Parent Mentor	6,861
Title VI-B	191,195
Title I	303,995
Early Childhood IDEA B	3,630
Title II-A	12,288
Title IV-R	12,054
21 st Century	64
Total Nonmajor Funds	618,620
Total	\$631,706

Note 8 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2017, the District contracted with Reed and Baur Insurance Agency for property and fleet insurance, liability insurance, and inland marine coverage. Public officials bonds are provided by Westfield Insurance, West Bend Insurance Company, and Travelers Casualty and Surety Company of America.

Vinton County Local School District
Notes to the Basic Financial Statements
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Coverages provided are as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$89,244,553
Commercial Computer Coverage (\$500 deductible)	819,993
Musical Instruments (\$500 deductible)	206,235
Automobile Liability:	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists:	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Per Occurrence	4,000,000
Aggregate Limit	4,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent	20,000
Board President	50,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no other significant reductions in coverage from the prior year.

Note 9 – Capital Assets

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

<u>Asset Category</u>	Balance at 7/1/16	Additions	Deletions	Balance at 6/30/17
<i>Nondepreciable Capital Assets:</i>				
Land	\$1,376,059	\$0	\$0	\$1,376,059
<i>Depreciable Capital Assets:</i>				
Land Improvements	9,881,267	7,270	0	9,888,537
Buildings and Improvements	59,544,484	2,790	0	59,547,274
Furniture, Fixtures and Equipment	5,132,831	43,207	(5,140)	5,170,898
Vehicles	3,053,382	106,889	(53,136)	3,107,135
Total Depreciable Capital Assets	<u>77,611,964</u>	<u>160,156</u>	<u>(58,276)</u>	<u>77,713,844</u>
<i>Accumulated Depreciation:</i>				
Land Improvements	(4,961,575)	(486,685)	0	(5,448,260)
Buildings and Improvements	(19,134,777)	(1,777,131)	0	(20,911,908)
Furniture, Fixtures and Equipment	(4,206,219)	(154,781)	5,140	(4,355,860)
Vehicles	(2,389,637)	(67,609)	53,136	(2,404,110)
Total Accumulated Depreciation	<u>(30,692,208)</u>	<u>(2,486,206)</u>	<u>58,276</u>	<u>(33,120,138)</u>
Depreciable Capital Assets, Net	<u>46,919,756</u>	<u>(2,326,050)</u>	<u>0</u>	<u>44,593,706</u>
Total Net Capital Assets	<u>\$48,295,815</u>	<u>(\$2,326,050)</u>	<u>\$0</u>	<u>\$45,969,765</u>

Vinton County Local School District
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Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$2,175,655
Special	2,436
Vocational	971
<i>Support Services:</i>	
Pupils	4,600
Instructional Staff	1,328
Board of Education	26,835
Administration	1,357
Operation and Maintenance	85,367
Pupil Transportation	69,005
Central	2,577
Operation of Non-Instructional Services	33,299
Extracurricular Activities	82,776
Total	\$2,486,206

Note 10 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Vinton County Local School District
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For the Fiscal Year Ended June 30, 2017

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$568,512 for fiscal year 2017. Of this amount, \$0 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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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 was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, July 1, 2015, and July 1, 2016 when it reached 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,409,480 for fiscal year 2017. Of this amount \$237,984 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,293,715	\$30,688,053	\$38,981,768
Proportion of the Net Pension Liability	0.113316%	0.0916800%	
Pension Expense	\$912,552	\$2,075,332	\$2,987,884

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<i>Deferred Outflows of Resources</i>			
Differences between expected and actual experience	\$111,863	\$1,239,945	\$1,351,808
Changes of assumptions	553,651	0	553,651
Net difference between projected and actual earnings on pension plan investments	684,110	2,547,933	3,232,043
Changes in proportion and differences	167,039	126,355	293,394
District contributions subsequent to the measurement date	<u>568,512</u>	<u>1,409,480</u>	<u>1,977,992</u>
Total Deferred Outflows of Resources	<u>\$2,085,175</u>	<u>\$5,323,713</u>	<u>\$7,408,888</u>
<i>Deferred Inflows of Resources</i>			
Changes in proportion and differences	<u>\$61,531</u>	<u>\$754,484</u>	<u>\$816,015</u>
Total Deferred Inflows of Resources	<u>\$61,531</u>	<u>\$754,484</u>	<u>\$816,015</u>

\$1,977,992 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$385,662	\$378,719	\$764,381
2019	385,169	378,719	763,888
2020	481,314	1,370,252	1,851,566
2021	<u>202,987</u>	<u>1,032,059</u>	<u>1,235,046</u>
Total	<u>\$1,455,132</u>	<u>\$3,159,749</u>	<u>\$4,614,881</u>

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Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed for the 5 year period ended June 30, 2015.

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

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<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 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$10,980,362	\$8,293,715	\$6,044,880

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and 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.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$40,781,929	\$30,688,053	\$22,173,274

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

Note 11 – Postemployment Benefits

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plan.

Health Care Plan

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

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the years ended June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2 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 minimum compensation level was established at \$23,500. 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 District's contributions assigned to health care for the years ending June 30, 2017, 2016, and 2015 were \$64,937, \$58,238, and \$94,456.

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

The financial report of SERS' Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

State Teachers Retirement System

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

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

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Assistant Treasurers, Account Clerk, Transportation Coordinator, and Maintenance Supervisor. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to a maximum of 51 days for certified employees, 65 days for non-certificated employees, and 51 or 65 days for administrative employees depending on specifications within contracts.

Retirement Incentive

The District Board of Education approved a Retirement Incentive Program. Participation is open to members of the Vinton Local Teachers Association the year in which the member first attains thirty years of service credit with STRS. A teacher who retires with thirty (30) years but less than thirty-one (31) years of service according to STRS rules, is eligible for a severance bonus of \$40,000, payable in four installments of \$10,000, with the first installment to be paid by the time of the second payroll in January following the retirement date, and each subsequent installment by the time of the second payroll in January of the following three years. To be eligible, the teacher must file a letter with the Treasurer stating (1) retirement effective date, and (2) amount of severance bonus applied for by January 1 for a teacher retiring at the end of a school year, and if a teacher is retiring mid-year the letter must be filed 6 months before the retirement date. The retirement incentive program is a part of the negotiated union contract.

In May 2015, the District approved a modification to this plan where beginning with fiscal year 2016, all retirees eligible for the early retirement incentive bonus must defer the \$40,000 based upon the memorandum of understanding. The District will pay this amount as a one-time payment into a 403(b) plan for the retiring teacher in the January following the retirement date. The District may not make this payment directly to the retiring/retired teacher.

Health, Prescription, Dental and Life Insurance

The District provides health and prescription benefits to its employees through a fully funded policy with United Health Care. Dental insurance benefits are provided through a policy with SEOVEC Dental and life insurance is with MEC.

Vinton County Local School District
Notes to the Basic Financial Statements
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Note 13 – Long-Term Obligations

Changes in the long-term obligations of the District during fiscal year 2017 were as follows:

	Principal Outstanding at 7/1/16	Additions	Deletions	Principal Outstanding at 6/30/17	Amount Due in One Year
2013 Refunding Bonds:					
Series A Bonds Serial	\$295,000	\$0	\$0	\$295,000	\$0
Series A Bonds Term	2,150,000	0	0	2,150,000	0
Series A Bonds Capital Appreciation	125,000	0	(45,000)	80,000	35,000
Series A Bonds Capital Appreciation Accretion	193,021	90,056	(95,000)	188,077	120,184
Series A Premium	347,997	0	(20,571)	327,426	0
Series B Bonds Serial	1,295,000	0	(340,000)	955,000	345,000
Series B Bonds Capital Appreciation	45,000	0	0	45,000	0
Series B Bonds Capital Appreciation Accretion	71,800	43,016	0	114,816	0
Series B Premium	211,969	0	(12,530)	199,439	0
2014 Bus Note	184,000	0	(92,000)	92,000	92,000
2017 Energy Conservation Notes	0	960,000	0	960,000	80,000
Total Bonds and Note	4,918,787	1,093,072	(605,101)	5,406,758	672,184
Capital Leases	299,004	45,000	(70,168)	273,836	76,373
Compensated Absences	732,135	683,565	(694,215)	721,485	86,718
Net Pension Liability	31,732,452	7,249,316	0	38,981,768	0
Total Long-Term Obligations	\$37,682,378	\$9,070,953	(\$1,369,484)	\$45,383,847	\$835,275

2013 Refunding Bonds - In May 2013, the District issued \$2,840,000 of voted general obligation bonds (Series A) and \$1,805,000 of voted general obligation bonds (Series B) for the advance refunding of \$4,645,000 of the 2005 series bonds. The \$662,027 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 20 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in a difference between the net carrying value of the refunded debt and the reacquisition price of \$287,550. The difference is reported on the statement of net position as a deferred outflow of resources and is being amortized to interest expense over the life of the new bonds using the straight line method. The amortization for fiscal year 2017 was \$13,659. The District incurred an economic gain (difference between the present values of the old and new debt service payments) of \$134,905 and a reduction of \$200,462 in future debt service payments as a result of the refunding. \$565,000 of the Series A bonds and \$1,760,000 of the Series B bonds were issued as serial bonds with interest rates of 2.0% and ranging from 0.6% to 2.15%, respectively. \$2,150,000 of the Series A bonds were issued as term bonds with interest rates ranging from 2.0% to 3.2%. \$125,000 of the Series A bonds and \$45,000 of the Series B bonds were issued as capital appreciation bonds. For fiscal year 2017, \$90,056 and \$43,016 was accreted for the Series A and Series B bonds, respectively. The refunding bonds will be repaid by the Bond Retirement Fund. \$45,000 of the capital appreciation bonds matured on December 1, 2016 and the remaining bonds will matured on December 1, 2017 through 2019. At the date of refunding \$5,307,027 (including underwriter fees and other issuance costs) was deposited into an irrevocable trust to provide for future debt service requirements on the 2005 refunding bonds. As of June 30, 2017, the amount of the refunded bonds still outstanding and the balance of the irrevocable trust account was \$0.

The term bonds maturing on December 1, 2022 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 December 1, 2021, in the principal amount of \$155,000. The remaining principal amount of these bonds (\$155,000) will be repaid at stated maturity on December 1, 2022.

Vinton County Local School District
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The term bonds maturing on December 1, 2024 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 December 1, 2023, in the principal amount of \$160,000. The remaining principal amount of these bonds (\$165,000) will be repaid at stated maturity on December 1, 2024.

The term bonds maturing on December 1, 2026 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 December 1, 2025, in the principal amount of \$170,000. The remaining principal amount of these bonds (\$175,000) will be repaid at stated maturity on December 1, 2026.

The term bonds maturing on December 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 December 1, 2027, in the principal amount of \$180,000. The remaining principal amount of these bonds (\$185,000) will be repaid at stated maturity on December 1, 2028.

The term bonds maturing on December 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 December 1, 2029, in the principal amount of \$190,000. The remaining principal amount of these bonds (\$195,000) will be repaid at stated maturity on December 1, 2030.

The term bonds maturing on December 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 December 1, 2031, in the principal amount of \$205,000. The remaining principal amount of these bonds (\$215,000) will be repaid at stated maturity on December 1, 2032.

The Series A bonds maturing on or after December 1, 2022 are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after December 1, 2021, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The serial bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity.

Bus Note – The District issued a general obligation note on September 9, 2013 for \$460,000 for the purpose of purchasing buses. This note carries a 2.1 percent interest rate. Semi-annual principal payments of \$46,000 and interest are required beginning December 1, 2013 until the maturity date of June 1, 2018. This note will be repaid from the Bond Retirement Fund.

2017 Energy Conversation Notes – The District issued energy conservation notes on May 3, 2017 for \$960,000 for the purpose of purchasing and installing energy conservation measures. This note carries a 2.09 percent interest rate. Semi-annual interest payments and annual principal payments are required beginning December 1, 2017 until the maturity date of December 1, 2023. This note will be repaid from the Bond Retirement Fund.

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Principal and interest requirements to retire the refunding bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	2013 Refunding Series A Bonds	2013 Refunding Series B Bonds	Interest	Total
2018	\$35,000	\$345,000	\$188,856	\$568,856
2019	45,000	260,000	264,620	569,620
2020	145,000	45,000	381,090	571,090
2021	150,000	350,000	69,378	569,378
2022	155,000	0	62,565	217,565
2023-2027	825,000	0	251,674	1,076,674
2028-2032	955,000	0	113,483	1,068,483
2033	215,000	0	3,440	218,440
Totals	\$2,525,000	\$1,000,000	\$1,335,106	\$4,860,106

The annual requirements to retire the bus note outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$92,000	\$1,470	\$93,470
Total	\$92,000	\$1,470	\$93,470

The annual requirements to retire the energy conservation notes outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$80,000	\$20,789	\$100,789
2019	140,000	16,929	156,929
2020	140,000	14,003	154,003
2021	145,000	11,025	156,025
2022	150,000	7,942	157,942
2023-2024	305,000	6,427	311,427
Totals	\$960,000	\$77,115	\$1,037,115

Capital leases are paid from the General and Title I Funds. Compensated absences and retirement incentives are paid from the General Fund. The District pays obligations related to employee compensation from the fund benefitting from their service.

The District's voted legal debt margin was \$25,772,476 with an unvoted debt margin of \$299,509 at June 30, 2017.

Note 14 – Capital Leases – Lessee Disclosure

In fiscal year 2016, the District entered into a capitalized lease for copier equipment and in fiscal year 2017, the District entered into a lease for computer equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Capital assets acquired by lease were initially capitalized in the statement of net position for governmental activities in the amount of \$363,433 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2017 totaled \$70,168. Lease payments were made from the General Fund.

Principal and interest requirements to retire the capital leases at June 30, 2017 are as follows:

Year Ending June 30	Capital Leases
2018	\$85,399
2019	85,399
2020	69,926
2021	52,444
Total Debt Payments	293,168
Less: Interest	(19,332)
Total Principal	\$273,836

Note 15 – Interfund Activity

Transfers

	Transfers In	Transfers Out
<i>Major Funds:</i>		
General	\$0	\$95,402
Bond Retirement	95,402	0
Total	\$95,402	\$95,402

Transfers were made from the General Fund to the Bond Retirement Fund for debt payments.

Interfund Receivables/Payables

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

	Interfund Receivable	Interfund Payable
<i>Major Fund:</i>		
General	\$276,714	\$0
<i>Nonmajor Funds:</i>		
Public School Preschool	0	47,242
Tech Prep	0	420
Miscellaneous State Grants	0	2,864
Title VI-B	0	51,124
Title I	0	147,792
Early Childhood IDEA B	0	2,866
Title II-A	0	12,288
Title VI-R	0	12,118
Total Other Governmental Funds	0	276,714
Total	\$276,714	\$276,714

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Note 16 – Commitments

Encumbrances

At June 30, 2017, the District had encumbrance commitments in governmental funds as follows:

<i>Major Fund</i>	
General	\$254,716
<i>Nonmajor Funds</i>	
Food Service	487
Classroom Facilities Maintenance	27,456
Athletics	2,408
Public School Preschool	161
Title I	2,093
Total Nonmajor Funds	<u>32,605</u>
Total Encumbrances	<u>\$287,321</u>

Contracts

On March 20, 2017, the District entered into a contract with Energy Optimizers for an HB264 energy conservation project in the amount of \$934,124. As of June 30, 2017, no funds have been paid on this contract.

Note 17 – Statutory Set-Asides

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by 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 Acquisition</u>
Set-Aside Balance as of June 30, 2016	\$67,896
Current Year Set-Aside Requirement	364,689
Qualifying Disbursements	<u>(423,888)</u>
Totals	\$8,697
Set-Aside Balance as of June 30, 2017	<u>\$8,697</u>
Total Restricted Assets	<u><u>\$8,697</u></u>

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 – Fund Balances

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepays	\$44,831	\$0	\$0	\$44,831
Unclaimed Monies	875	0	0	875
Total Nonspendable	45,706	0	0	45,706
<i>Restricted</i>				
Set-Asides	8,697	0	0	8,697
Athletics	0	0	65,541	65,541
Facilities Maintenance	0	0	783,882	783,882
Food Service	0	0	362,335	362,335
Local Grants	0	0	5,776	5,776
State Grants	0	0	3,682	3,682
Federal Grants	0	0	764	764
Debt Service	0	2,433,645	0	2,433,645
Capital Projects	0	0	10,973	10,973
Total Restricted	8,697	2,433,645	1,232,953	3,675,295
<i>Committed</i>				
Bus Purchase	1,978	0	0	1,978
Future Purchases	30,288	0	0	30,288
Employee Benefits	74,105	0	0	74,105
Total Assigned	106,371	0	0	106,371
<i>Assigned</i>				
Future Purchases	193,339	0	0	193,339
Public School Support	88,438	0	0	88,438
FY18 Appropriations in Excess of Estimated Receipts	512,732			512,732
Total Assigned	794,509	0	0	794,509
<i>Unassigned (Deficit)</i>	17,184,835	0	(105,958)	17,078,877
Total Fund Balances	\$18,140,118	\$2,433,645	\$1,126,995	\$21,700,758

Note 19 – Jointly Governed Organizations

South Central Ohio Computer Association Council of Governments

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG), which is organized under Ohio Revised Code Chapter 167 as a council of governments. SCOCA COG 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 SCOCA COG consists of two representatives from each county in the SCOCA COG 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 SCOCA COG including budgeting, appropriating, contracting, and designating management. Each district's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCA COG 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 SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The District paid SCOCA COG \$162,571 for services provided during the fiscal year. The District also paid META \$88,851 for internet and other services during the fiscal year.

Gallia-Vinton Educational Service Center

The Gallia-Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2017, the District paid the Educational Service Center \$110,267 for Occupational Therapy, aide, and other services. To obtain financial information, write to the Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2017, the District paid the Joint Vocational School \$22,611 for excess costs for special education services. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

State Support Team - Region 16

The State Support Team - Region 16 (SST) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SST is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Superintendent of the District is on the SST Board and the District also has a local representative that serves as an alternate for the SST Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

The Ohio Coalition of Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the Coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues to \$0.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$0.50 per pupil for K-12 districts and educational service centers pay dues of \$0.05 per pupil. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2017, the District paid \$1,091 to the Coalition. To obtain financial information, write to the Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members; one elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided, and three from Ohio University College of Education. The board exercises total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2017, the District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

Note 20 – Contingencies

Grants

The 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

State Foundation Funding

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

Litigation

The District is not currently party to legal proceedings.

Note 21 – Implementation of New Accounting Pronouncement

For the fiscal year ended June 30, 2017, the District was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” No. 80, “Blending Requirements for Certain Component Units,” and No. 82, “Pension Issues.”

GASB Statement No. 74 replaces GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues.

Vinton County Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, “The Financial Reporting Entity,” by requiring these component units to be blended into the primary state or local government’s financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the District’s financial statements or note disclosures.

Note 22 – Subsequent Event

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA) and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements, and supports the technology and instructional needs of schools and provides instructional, core, technology, and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments is in the process of merging with META Solutions; however as of the date of this financial report, the merger has not yet been fully completed.

Vinton County Local School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years

	2014	2015	2016	2017
<i>State Teachers Retirement System</i>				
District's proportion of the net pension liability (asset)	0.09471736%	0.09471736%	0.09112315%	0.09168000%
District's proportionate share of the net pension liability (asset)	\$27,443,359	\$23,038,540	\$25,183,764	\$30,688,053
District's covered-employee payroll	\$9,731,354	\$9,679,500	\$9,629,029	\$9,743,657
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	282.0%	238.0%	261.5%	315.0%
Plan fiduciary net position as a percentage of the total pension liability	69.3%	74.7%	72.1%	72.1%
<i>School Employees Retirement System</i>				
District's proportion of the net pension liability (asset)	0.11196399%	0.11196399%	0.11476650%	0.11331640%
District's proportionate share of the net pension liability (asset)	\$6,658,139	\$5,666,434	\$6,548,688	\$8,293,715
District's covered-employee payroll	\$4,198,115	\$4,192,115	\$4,142,056	\$4,286,743
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.6%	135.2%	158.1%	193.5%
Plan fiduciary net position as a percentage of the total pension liability	65.5%	71.7%	69.2%	69.2%

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end. Information not available prior to 2014.

Vinton County Local School District
Required Supplementary Information
Schedule of District Contributions
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>State Teachers Retirement System</i>										
Contractually required contribution	\$1,430,402	\$1,399,364	\$1,275,514	\$1,468,246	\$1,317,541	\$1,265,076	\$1,258,335	\$1,348,064	\$1,364,112	\$1,409,480
Contributions in relation to the contractually required contribution	1,430,402	1,399,364	1,275,514	1,468,246	1,317,541	1,265,076	1,258,335	1,348,064	1,364,112	1,409,480
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$11,003,092	\$10,764,338	\$9,811,646	\$11,294,200	\$10,134,931	\$9,731,354	\$9,679,500	\$9,629,029	\$9,743,657	\$10,067,714
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	14.00%	14.00%	14.00%
<i>School Employees Retirement System</i>										
Contractually required contribution	\$348,321	\$337,065	\$509,368	\$496,522	\$539,257	\$549,953	\$549,167	\$545,923	\$600,144	\$568,512
Contributions in relation to the contractually required contribution	348,321	337,065	509,368	496,522	539,257	549,953	549,167	545,923	600,144	568,512
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
District's covered-employee payroll	\$3,547,057	\$3,425,457	\$3,985,665	\$4,204,251	\$4,246,118	\$4,198,115	\$4,192,115	\$4,142,056	\$4,286,743	\$4,060,800
Contributions as a percentage of covered-employee payroll	9.82%	9.84%	12.78%	11.81%	12.70%	13.10%	13.10%	13.18%	14.00%	14.00%

The amounts presented for each fiscal year were determined as of June 30.

Notes to the Required Supplementary Information

Changes in Assumptions - School Employees Retirement System

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 represented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
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 investment expense, including inflation	7.75 percent net of investment expense, including inflation

Amounts reported for fiscal year 2017 use mortality assumptions with mortality rates that are based on the RP-2017 Blue Collar Mortality Table with fully generational projection and a five year 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.

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**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY**

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

FEDERAL GRANTOR Pass-Through Grantor Program/Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2016/2017	\$70,888
Cash Assistance:			
School Breakfast Program	10.553	2016/2017	362,984
National School Lunch Program	10.555	2016/2017	<u>649,255</u>
Total Child Nutrition Cluster			1,083,127
Fresh Fruits and Vegetable Program	10.582	2016/2017	<u>40,526</u>
Total U.S. Department of Agriculture			1,123,653
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2016 2017	121,598 <u>890,029</u>
Total Title I Grants to Local Educational Agencies			1,011,627
Special Education Cluster:			
Special Education - Grants to States	84.027	2016 2017	78,675 <u>481,456</u>
Total Special Education - Grants to State			560,131
Special Education - Preschool Grants	84.173	2017	<u>19,104</u>
Total Special Education Cluster			579,235
Twenty-First Century Community Learning Centers	84.287	2016 2017	3,464 <u>150,000</u>
Total Twenty-First Century Community Learning Centers			153,464
Rural Education	84.358	2017	47,987
Improving Teacher Quality State Grants	84.367	2016 2017	394 <u>148,595</u>
Total Improving Teacher Quality State Grants			148,989
Total U.S. Department of Education			<u>1,941,302</u>
Total Expenditures of Federal Awards			<u><u>\$3,064,955</u></u>

The accompanying notes are an integral part of this Schedule.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Vinton County Local School District
Vinton County
307 West High Street
McArthur, Ohio 45651

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 Vinton County Local School District, Vinton County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 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

Vinton County Local School District
Vinton County
307 West High Street
McArthur, Ohio 45651

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Vinton County Local School District's, Vinton County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Vinton County 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 District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the 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 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 District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 12, 2018

**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list): <ul style="list-style-type: none"> • Child Nutrition Cluster CFDA - #10.553 & 10.555 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	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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VINTON COUNTY LOCAL SCHOOL DISTRICT

VINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 27, 2018