**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2018-2017**

OHIO AUDITOR OF STATE
**KEITH FABER**

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**
**JUNE 30, 2018 AND 2017**

## TABLE OF CONTENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**
**JUNE 30, 2018 AND 2017**

## TABLE OF CONTENTS
**(Continued)**

OHIO AUDITOR OF STATE
KEITH FABER

**INDEPENDENT AUDITOR'S REPORT**

New Riegel Local School District
Seneca County
44 North Perry Street
New Riegel, Ohio 44853-0207

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio (the District), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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.

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Phone: 419-245-2811 or 800-443-9276
**www.ohioauditor.gov**

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

***Basis for Opinion Qualification on Remaining Fund Information***

Claims disbursements are reported at $46,323, and $45,454 for the years ended June 30, 2018 and 2017, respectively, which are 5.4 percent of Remaining Fund Information disbursements for the year ended December 31, 2018 and 6.0 percent of Remaining Fund Information disbursements for the year ended December 31, 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as claims disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the *Basis for Opinion Qualification on Remaining Fund Information* paragraph, the financial statements as it relates to the Remaining Fund Information referred to above present fairly, in all material respects, the respective cash financial position of the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 2.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund of New Riegel Local School District, Seneca County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities and Maintenance funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter. .

***Other Matters***

*Other Information*

We applied no procedures to management's discussion and analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019, 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.

Keith Faber
Auditor of State

Columbus, Ohio

April 22, 2019

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The management's discussion and analysis of the New Riegel Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

## Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the District decreased $3,394,517 or 48.86% from fiscal year 2017.

- General receipts accounted for $4,422,724 or 78.66% of total governmental activities receipts. Program specific receipts accounted for $1,199,810 or 21.34% of total governmental activities receipts.

- The District had $9,017,051 in disbursements related to governmental activities; $1,199,810 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of $4,422,724 were inadequate to provide for these programs.

- The District's major funds are the General fund, the Building fund, and the Classroom Facilities Maintenance fund. The General fund, the District's largest major fund, had total receipts of $5,128,821 in 2018. The disbursements and other financing uses of the General fund, totaled $5,918,186 in 2018. The General fund's balance decreased $789,365 or 23.67% from 2017 to 2018.

- The Building fund had total receipts and other financing sources of $846,069 in 2018. The disbursements of the building fund totaled $3,432,698 in 2018. The fund balance decreased $2,586,629.

- The Classroom Facilities Maintenance fund had total receipts of $31,259 in 2018. The disbursements of the classroom facilities fund totaled $268 in 2018. The fund balance increased $30,991.

## Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

## Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net position will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## Reporting the District as a Whole

### *Statement of Net Position and the Statement of Activities*

The statement of net position and statement of activities reflect how the District did financially during fiscal year 2018, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental type activities of the District at the fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net cash position and the changes in cash position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position in one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

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

### *Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a single column.

### *Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee dental and vision self-insurance.

### *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are an agency fund.

### *Notes to the Financial Statements*

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

## The District as a Whole

The table below provides a summary of the District's net position for 2018 and 2017.

**Net Position**

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| Assets | | |
| Equity in pooled cash and cash equivalents | $ 3,552,238 | $ 6,946,755 |
| Net Position | | |
| Restricted | $ 908,637 | $ 3,471,474 |
| Unrestricted | 2,643,601 | 3,475,281 |
| Total net position | $ 3,552,238 | $ 6,946,755 |

The total net position of the District decreased $3,394,517 which represents a 48.86% decrease from fiscal year 2017. The balance of government-wide unrestricted net position of $2,643,601 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for fiscal years 2018 and 2017.

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(Continued)

**Change in Net Position**

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| **Receipts:** | | |
| Program receipts: | | |
| Charges for services and sales | $ 895,555 | $ 827,785 |
| Operating grants and contributions | 304,255 | 295,322 |
| Total program receipts | 1,199,810 | 1,123,107 |
| General receipts: | | |
| Property taxes | 1,123,388 | 1,120,560 |
| Income tax | 777,799 | 747,575 |
| Unrestricted grants | 2,452,807 | 2,470,814 |
| Premium on Certificate of Participation | - | 41,396 |
| Issuance of Certificate of Participation | - | 3,705,000 |
| Investment earnings | 32,149 | 34,829 |
| Other | 36,581 | 41,499 |
| Total general receipts | 4,422,724 | 8,161,673 |
| Total receipts | $ 5,622,534 | $ 9,284,780 |

(continued)

**Change in Net Position**
**(Continued)**

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| **Disbursements:** | | |
| Instruction: | | |
| Regular | $ 2,303,250 | $ 2,219,526 |
| Special | 326,692 | 302,076 |
| Vocational | 23,310 | 22,830 |
| Other | 31,488 | 27,729 |
| Support services: | | |
| Pupil | 169,074 | 174,434 |
| Instructional staff | 217,777 | 209,895 |
| Board of education | 189,989 | 290,597 |
| Administration | 377,691 | 369,000 |
| Fiscal | 240,955 | 262,443 |
| Operations and maintenance | 536,546 | 541,102 |
| Pupil transporation | 298,288 | 177,984 |
| Food service operations | 154,432 | 154,858 |
| Other non instructional services | 1,231 | - |
| Extracurricular | 244,430 | 225,518 |
| Facilities acquisition and construction | 3,626,528 | 930,565 |
| Debt service: | | |
| Principal retirement | 145,000 | 60,000 |
| Interest and fiscal charges | 130,370 | 188,611 |
| Total disbursements | 9,017,051 | 6,157,168 |
| Change in net position | (3,394,517) | 3,127,612 |
| Net position at beginning of year | 6,946,755 | 3,819,143 |
| Net position at end of year | $ 3,552,238 | $ 6,946,755 |

## Governmental Activities

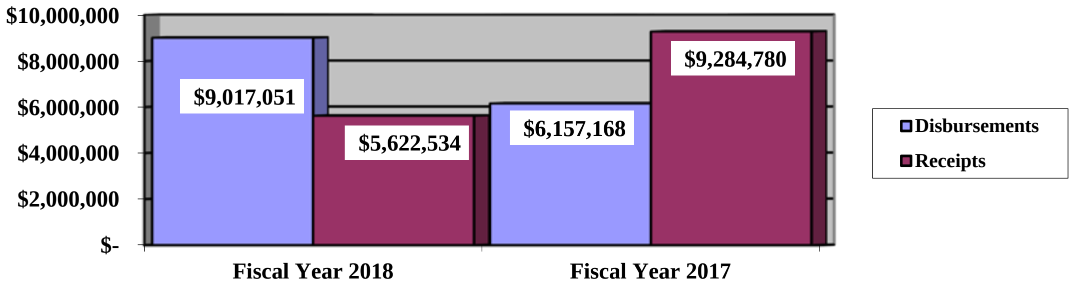
Net position decreased by $3,394,517 in 2018. Total governmental disbursements of $9,017,051 were offset by program receipts of $1,199,810 and general receipts of $4,422,724. Program receipts supported 13.31% of the total governmental disbursements.

The primary sources of receipts for 2018 are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 77.44% of total governmental receipts. Real estate property is reappraised every six years.

The largest disbursement of the District is for instructional programs. These disbursements totaled $2,684,740 or 29.77% of total governmental disbursements for fiscal year 2018.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2018 and 2017.

**Governmental Activities - Total Receipts vs. Total Disbursements**



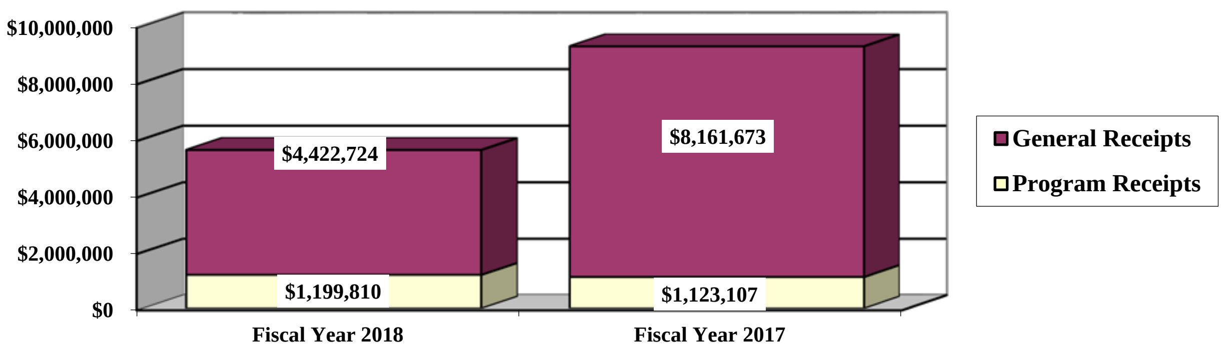

The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

| | Governmental Activities | | | |
|---|---|---|---|---|
| | Total Cost of Services 2018 | Net Cost of Services 2018 | Total Cost of Services 2017 | Net Cost of Services 2017 |
| **Disbursements:** | | | | |
| Instruction: | | | | |
| Regular | $ 2,303,250 | $ 1,699,129 | $ 2,219,526 | $ 1,692,735 |
| Special | 326,692 | 34,443 | 302,076 | 15,233 |
| Vocational | 23,310 | 21,314 | 22,830 | 20,916 |
| Other | 31,488 | 31,488 | 27,729 | 27,729 |
| Support services: | | | | |
| Pupil | 169,074 | 139,873 | 174,434 | 138,516 |
| Instructional staff | 217,777 | 217,777 | 209,895 | 209,895 |
| Board of education | 189,989 | 189,989 | 290,597 | 290,597 |
| Administration | 377,691 | 377,691 | 369,000 | 369,000 |
| Fiscal | 240,955 | 238,071 | 262,443 | 262,443 |
| Operations and maintenance | 536,546 | 531,847 | 541,102 | 536,614 |
| Pupil transportation | 298,288 | 289,887 | 177,984 | 168,420 |
| Other non instructional services | 1,231 | 1,231 | - | - |
| Food service operations | 154,432 | 2,360 | 154,858 | (1,336) |
| Extracurricular | 244,430 | 140,243 | 225,518 | 124,123 |
| Facilities acquisition and construction | 3,626,528 | 3,626,528 | 930,565 | 930,565 |
| Debt service: | | | | |
| Principal retirement | 145,000 | 145,000 | 60,000 | 60,000 |
| Interest and fiscal charges | 130,370 | 130,370 | 188,611 | 188,611 |
| Total | $ 9,017,051 | $ 7,817,241 | $ 6,157,168 | $ 5,034,061 |

The dependence upon general receipts for instructional activities is apparent; with 66.54% of disbursements supported through taxes and other general receipts during 2018. For all governmental activities, general receipts support is 86.69%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support of the District's students.

The graph below presents the District's governmental activities receipts for fiscal year 2018 and 2017.

**Governmental Activities - General and Program Receipts**




### The District's Funds

The District's governmental funds reported a combined fund cash balance of $3,521,498, which is $3,404,351 below last year's total of $6,925,849. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

| | Fund Balance June 30, 2018 | Fund Balance June 30, 2017 | Change |
|---|---|---|---|
| General fund | $ 2,545,767 | $ 3,335,132 | $ (789,365) |
| Building fund | 271,059 | 2,857,688 | (2,586,629) |
| Classroom Facilities Maintenance Fund | 473,520 | 442,529 | 30,991 |
| Other governmental funds | 231,152 | 290,500 | (59,348) |
| Total | $ 3,521,498 | $ 6,925,849 | $ (3,404,351) |

### *General Fund*

The General fund, the District's largest major fund, had total receipts of $5,128,821 in 2018. The disbursements and other financing uses of the General fund, totaled $5,918,186 in 2018. The General fund's balance decreased $789,365 or 23.67% from 2017 to 2018.

The table that follows assists in illustrating the receipts of the General fund.

| | 2018 Amount | 2017 Amount | Percentage Change |
|---|---|---|---|
| **Receipts:** | | | |
| Taxes | $ 1,823,889 | $ 1,796,511 | 1.52 % |
| Tuition | 670,858 | 600,229 | 11.77 % |
| Earnings on investments | 23,823 | 21,100 | 12.91 % |
| Other local revenues | 99,492 | 102,075 | (2.53) % |
| Intergovernmental - State | 2,510,759 | 2,526,249 | (0.61) % |
| Total | $ 5,128,821 | $ 5,046,164 | 1.64 % |

During 2018, tuition revenue increased due to an increase in special education tuition. All other revenue remained comparable to 2017.

The table that follows assists in illustrating the disbursements of the General fund.

| | 2018 Amount | 2017 Amount | Percentage Change |
|---|---|---|---|
| **Disbursements:** | | | |
| Instruction | $ 2,500,088 | $ 2,401,033 | 4.13 % |
| Support services | 1,856,471 | 1,902,975 | (2.44) % |
| Extracurricular | 182,964 | 171,020 | 6.98 % |
| Facilities acquisition and construction | 193,830 | 176,749 | 9.66 % |
| Total | $ 4,733,353 | $ 4,651,777 | 1.75 % |

Disbursements remained comparable to 2017 with the overall increase of $81,576 due in part to increases in wages and benefits costs. Facilities, acquisition, and construction disbursements were higher in 2018 as the District financed additional building repairs with General fund money.

***Building Fund***

The Building fund had total receipts and other financing sources of $846,069 in 2018. The disbursements of the Building fund totaled $3,432,698 in 2018. The Building fund's balance decreased $2,586,629.

***Classroom Facilities Maintenance Fund***

The Classroom Facilities Maintenance fund had total receipts of $31,259 in 2018. The disbursements of the Classroom Facilities Maintenance fund totaled $268 in 2018. The Classroom Facilities Maintenance fund's balance increased $30,991.

***Budgeting Highlights - General Fund***

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

For the General fund, actual receipts and other financing sources of $5,109,303 were higher than final budgeted receipts and other financing sources by $114,749. The final budgeted receipts and other financing sources of

$4,994,554 were the same as the original budgeted amounts of $4,994,554. The actual budgeted disbursements and other financing uses of $6,335,597 were $688,994 lower than the final budgeted disbursements and other financing uses. The final budgeted disbursements and other financing uses of $7,024,591 were $10,000 higher than the original amounts.

## Capital Assets and Debt Administration

### *Capital Assets*

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. Facilities acquisition and construction disbursements in fiscal year 2018 amounted to $3,626,528.

### *Debt Administration*

The District had the following long-term obligations outstanding at June 30, 2018 and 2017:

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|---|---|
| Series 2011 bond refunding | | |
| Term Bonds | $ 255,000 | $ 315,000 |
| Captial Appreciation Bonds | 34,999 | 34,999 |
| Accreted Interest on CABs | 57,592 | 46,248 |
| 2017 Certificate of Participation | 3,620,000 | 3,705,000 |
| Total long-term obligations | $ 3,967,591 | $ 4,101,247 |

## Current Financial Related Activities

The District has carefully managed its General Fund in order to optimize the dollars available for educating its students.

The District's local funding includes a continuing .75% income tax and an additional 5 year, .75% income tax. The additional .75% income tax became effective January 1, 2007. A renewal levy for this .75% income was approved by the voters on November 2, 2010 and again on November 3, 2015. This levy will expire December 31, 2021. Our District's real estate tax effective rate is 21.83 mills. Our District is extremely fortunate to have strong support from our local community.

In both fiscal years 2016 and 2017 our District received significant increases in state funding due to changes implemented in the State's 2016-17 biennial budget. In the State's 2018-19 biennial budget our funding is unchanged. Our state funding had been stagnant since 2003, so these increases are a very welcome growth in revenue. As always, we will keep a close eye on the State Legislature for indications on how state funding my change in the future.

New Riegel Local School is currently plaintiff in a lawsuit vs. Buehrer Group Architecture, Charles Construction Services and Studer-Obringer Inc. and The Ohio School Facilities Commission. The case is waiting to be heard by the Ohio Supreme Court. This case is in regards to building defects in the construction of our K-12 school building. Remedial work has been done to correct these defects. In February 2017, the District issued $3,705,000 of Certificates of Participation to fund the repair project.

Our District continues to strive to best utilize the resources available to us. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resource required to meet the student's desired needs over the next several years. It is always our goal to provide "a quality education in a small school setting".

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jane A. Schalk, Treasurer, New Riegel Local School District, 44 North Perry Street, New Riegel, Ohio 44853-0207.

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents . . | $ 3,552,238 |
| Total assets. . . . . . . . . . . . . . . . . . . | $ 3,552,238 |
| **Net position:** | |
| Restricted for: | |
| Debt service. . . . . . . . . . . . . . . . . . | $ 97,930 |
| Capital improvements . . . . . . . . . . . . . | 271,059 |
| Classroom facilities maintenance . . . . . . . | 473,520 |
| Food service operations. . . . . . . . . . . . | 30,315 |
| Extracurricular . . . . . . . . . . . . . . . . | 34,276 |
| Other purposes . . . . . . . . . . . . . . . . | 1,537 |
| Unrestricted. . . . . . . . . . . . . . . . . . . | 2,643,601 |
| Total net position. . . . . . . . . . . . . . . . | $ 3,552,238 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Cash Disbursements | Program Cash Receipts: Charges for Services and Sales | Program Cash Receipts: Operating Grants and Contributions | Net (Disbursements) Receipts and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Instruction: | | | | |
| Regular | $ 2,303,250 | $ 571,650 | $ 32,471 | $ (1,699,129) |
| Special | 326,692 | 114,704 | 177,545 | (34,443) |
| Vocational | 23,310 | - | 1,996 | (21,314) |
| Other | 31,488 | - | - | (31,488) |
| Support services: | | | | |
| Pupil | 169,074 | - | 29,201 | (139,873) |
| Instructional staff | 217,777 | - | - | (217,777) |
| Board of education | 189,989 | - | - | (189,989) |
| Administration | 377,691 | - | - | (377,691) |
| Fiscal | 240,955 | - | 2,884 | (238,071) |
| Operations and maintenance | 536,546 | 1,077 | 3,622 | (531,847) |
| Pupil transportation | 298,288 | 7,492 | 909 | (289,887) |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 1,231 | - | - | (1,231) |
| Food service operations | 154,432 | 102,688 | 49,384 | (2,360) |
| Extracurricular activities | 244,430 | 97,944 | 6,243 | (140,243) |
| Facilities acquisition and construction | 3,626,528 | - | - | (3,626,528) |
| Debt service: | | | | |
| Principal retirement | 145,000 | - | - | (145,000) |
| Interest and fiscal charges | 130,370 | - | - | (130,370) |
| Total governmental activities | $ 9,017,051 | $ 895,555 | $ 304,255 | (7,817,241) |

| | |
|---|---|
| **General Receipts:** | |
| Property taxes levied for: | |
| General purposes | 1,046,090 |
| Special revenue | 14,805 |
| Debt service | 62,493 |
| School district income tax | 777,799 |
| Grants and entitlements not restricted to specific programs | 2,452,807 |
| Investment earnings | 32,149 |
| Miscellaneous | 36,581 |
| Total general receipts | 4,422,724 |
| Change in net position | (3,394,517) |
| **Net position at beginning of year** | 6,946,755 |
| **Net position at end of year** | $ 3,552,238 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General | Classroom Facilities Maintenance | Building | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Equity in pooled cash | | | | | |
| and cash equivalents. . . . . . . . . . . . . . . | $ 2,545,767 | $ 473,520 | $ 271,059 | $ 231,152 | $ 3,521,498 |
| Total assets . . . . . . . . . . . . . . . . . . . | $ 2,545,767 | $ 473,520 | $ 271,059 | $ 231,152 | $ 3,521,498 |
| **Fund balances:** | | | | | |
| Restricted: | | | | | |
| Debt service . . . . . . . . . . . . . . . . . | $ - | $ - | $ - | $ 97,930 | $ 97,930 |
| Capital improvements . . . . . . . . . . . . | - | - | 271,059 | - | 271,059 |
| Classroom facilities maintenance . . . . . . | - | 473,520 | - | - | 473,520 |
| Food service operations . . . . . . . . . . . | - | - | - | 30,315 | 30,315 |
| Extracurricular. . . . . . . . . . . . . . . . | - | - | - | 34,276 | 34,276 |
| Other purposes. . . . . . . . . . . . . . . . | - | - | - | 1,537 | 1,537 |
| Committed: | | | | | |
| Termination benefits. . . . . . . . . . . . . | 30,489 | - | - | - | 30,489 |
| Assigned: | | | | | |
| Student instruction . . . . . . . . . . . . . . | 21,951 | - | - | - | 21,951 |
| Student and staff support. . . . . . . . . . . | 143,086 | - | - | - | 143,086 |
| Capital improvements . . . . . . . . . . . . | 300,092 | - | - | 67,094 | 367,186 |
| Public school support . . . . . . . . . . . . | 18,059 | - | - | - | 18,059 |
| Unassigned . . . . . . . . . . . . . . . . . . | 2,032,090 | - | - | - | 2,032,090 |
| Total fund balances . . . . . . . . . . . . . . . | $ 2,545,767 | $ 473,520 | $ 271,059 | $ 231,152 | $ 3,521,498 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION - CASH BASIS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

| | | |
|---|---|---|
| **Total governmental fund balances** | $ | 3,521,498 |
| *Amounts reported for governmental activities on the statement of net position are different because:* | | |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities on the statement of net position. | | 30,740 |
| **Net position of governmental activities** | $ | 3,552,238 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | General | Classroom Facilities Maintenance | Building | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **Receipts:** | | | | | |
| From local sources: | | | | | |
| Property taxes | $ 1,046,090 | $ 14,805 | $ - | $ 62,493 | $ 1,123,388 |
| Income taxes | 777,799 | - | - | - | 777,799 |
| Tuition | 670,858 | - | - | - | 670,858 |
| Charges for services | - | - | - | 102,688 | 102,688 |
| Earnings on investments | 23,823 | 2,884 | 8,326 | 128 | 35,161 |
| Extracurricular | 46,518 | - | - | 59,098 | 105,616 |
| Classroom materials and fees | 15,496 | - | - | - | 15,496 |
| Contributions and donations | 1,000 | - | - | 7,328 | 8,328 |
| Rental income | 897 | - | - | - | 897 |
| Other local revenues | 35,581 | - | - | - | 35,581 |
| Intergovernmental - intermediate | - | - | - | 820 | 820 |
| Intergovernmental - state | 2,510,759 | 13,570 | - | 12,963 | 2,537,292 |
| Intergovernmental - federal | - | - | - | 208,610 | 208,610 |
| Total receipts | 5,128,821 | 31,259 | 8,326 | 454,128 | 5,622,534 |
| **Disbursements:** | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 2,220,306 | - | - | 57,326 | 2,277,632 |
| Special | 226,177 | - | - | 99,322 | 325,499 |
| Vocational | 23,310 | - | - | - | 23,310 |
| Other | 30,295 | - | - | - | 30,295 |
| Support services: | | | | | |
| Pupil | 138,680 | - | - | 29,201 | 167,881 |
| Instructional staff | 217,777 | - | - | - | 217,777 |
| Board of education | 189,989 | - | - | - | 189,989 |
| Administration | 375,305 | - | - | - | 375,305 |
| Fiscal | 238,358 | 268 | - | 1,136 | 239,762 |
| Operations and maintenance | 503,647 | - | - | 31,706 | 535,353 |
| Pupil transportation | 192,715 | - | - | 101,376 | 294,091 |
| Operation of non-instructional services: | | | | | |
| Other operation of non-instructional | - | - | - | 1,231 | 1,231 |
| Food service operations | - | - | - | 154,432 | 154,432 |
| Extracurricular activities | 182,964 | - | - | 61,466 | 244,430 |
| Facilities acquisition and construction | 193,830 | - | 3,432,698 | - | 3,626,528 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | 145,000 | 145,000 |
| Interest and fiscal charges | - | - | - | 130,370 | 130,370 |
| Total disbursements | 4,733,353 | 268 | 3,432,698 | 812,566 | 8,978,885 |
| Excess (deficiency) of receipts over (under) disbursements | 395,468 | 30,991 | (3,424,372) | (358,438) | (3,356,351) |
| **Other financing sources (uses):** | | | | | |
| Transfers in | - | - | 837,743 | 299,090 | 1,136,833 |
| Transfers (out) | (1,184,833) | - | - | - | (1,184,833) |
| Total other financing sources (uses) | (1,184,833) | - | 837,743 | 299,090 | (48,000) |
| Net change in fund balances | (789,365) | 30,991 | (2,586,629) | (59,348) | (3,404,351) |
| **Fund balances at beginning of year** | 3,335,132 | 442,529 | 2,857,688 | 290,500 | 6,925,849 |
| **Fund balances at end of year** | $ 2,545,767 | $ 473,520 | $ 271,059 | $ 231,152 | $ 3,521,498 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - CASH BASIS
TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | $ | (3,404,351) |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities. | | 9,834 |
| **Change in net position of governmental activities** | $ | (3,394,517) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | |
| **Receipts:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 1,027,300 | $ 1,027,300 | $ 1,046,090 | $ 18,790 |
| Income taxes. | 770,000 | 770,000 | 777,799 | 7,799 |
| Tuition. | 683,000 | 683,000 | 670,858 | (12,142) |
| Earnings on investments | 17,000 | 17,000 | 23,823 | 6,823 |
| Extracurricular. | 10,000 | 10,000 | 10,000 | - |
| Classroom materials and fees | 14,500 | 14,500 | 15,496 | 996 |
| Rental income | 1,000 | 1,000 | 897 | (103) |
| Other local revenues | 27,600 | 27,600 | 30,694 | 3,094 |
| Intergovernmental - state | 2,426,154 | 2,426,154 | 2,510,759 | 84,605 |
| Total receipts | 4,976,554 | 4,976,554 | 5,086,416 | 109,862 |
| **Disbursements:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,322,876 | 2,326,339 | 2,223,807 | 102,532 |
| Special. | 236,493 | 236,846 | 226,519 | 10,327 |
| Vocational. | 31,701 | 31,748 | 40,992 | (9,244) |
| Other. | 34,570 | 34,622 | 30,720 | 3,902 |
| Support services: | | | | |
| Pupil. | 138,291 | 138,497 | 139,118 | (621) |
| Instructional staff | 240,666 | 241,025 | 224,517 | 16,508 |
| Board of education | 305,556 | 306,012 | 272,214 | 33,798 |
| Administration. | 363,977 | 364,520 | 347,866 | 16,654 |
| Fiscal | 251,135 | 251,510 | 243,021 | 8,489 |
| Operations and maintenance. | 548,434 | 549,252 | 551,693 | (2,441) |
| Pupil transportation | 212,979 | 213,297 | 193,225 | 20,072 |
| Extracurricular activities. | 147,131 | 147,350 | 144,067 | 3,283 |
| Facilities acquisition and construction | 1,871,882 | 1,874,673 | 493,922 | 1,380,751 |
| Total disbursements | 6,705,691 | 6,715,691 | 5,131,681 | 1,584,010 |
| Excess of disbursements over receipts. | (1,729,137) | (1,739,137) | (45,265) | 1,693,872 |
| **Other financing sources (uses):** | | | | |
| Refund of prior year's expenditures | - | - | 4,887 | 4,887 |
| Transfers in | 18,000 | 18,000 | 18,000 | - |
| Transfers (out). | (308,900) | (308,900) | (1,203,916) | (895,016) |
| Total other financing sources (uses) | (290,900) | (290,900) | (1,181,029) | (890,129) |
| Net change in fund balance | (2,020,037) | (2,030,037) | (1,226,294) | 803,743 |
| **Fund balance at beginning of year** | 1,433,793 | 1,433,793 | 1,433,793 | - |
| **Prior year encumbrances appropriated** | 1,824,591 | 1,824,591 | 1,824,591 | - |
| **Fund balance at end of year** | $ 1,238,347 | $ 1,228,347 | $ 2,032,090 | $ 803,743 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **Positive (Negative)** |
| **Receipts:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 14,597 | $ 14,597 | $ 14,805 | $ 208 |
| Earnings on investments | 2,800 | 2,800 | 2,884 | 84 |
| Intergovernmental - state | 13,700 | 13,700 | 13,570 | (130) |
| Total receipts | 31,097 | 31,097 | 31,259 | 162 |
| **Disbursements:** | | | | |
| Current: | | | | |
| Support services: | | | | |
| Fiscal | 1,000 | 1,000 | 268 | 732 |
| Operations and maintenance | 49,000 | 49,000 | - | 49,000 |
| Total disbursements | 50,000 | 50,000 | 268 | 49,732 |
| Excess of receipts over (under) disbursements | (18,903) | (18,903) | 30,991 | 49,894 |
| Net change in fund balance | (18,903) | (18,903) | 30,991 | 49,894 |
| **Fund balance at beginning of year** | 442,529 | 442,529 | 442,529 | - |
| **Fund balance at end of year** | $ 423,626 | $ 423,626 | $ 473,520 | $ 49,894 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2018

| | Governmental Activities - Internal Service Fund |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents . . . . . . . . . . . | $ 30,740 |
| **Net position:** | |
| Unrestricted. . . . . . . . . . . . . . . . . . | $ 30,740 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Governmental Activities - Internal Service Fund |
|---|---|
| **Operating receipts:** | |
| Charges for services. . . . . . . . . . | $ 8,157 |
| Total operating revenues . . . . . . . . . . | 8,157 |
| **Operating disbursements:** | |
| Claims . . . . . . . . . . . . . . . . . . . . | 46,323 |
| Total operating disbursements. . . . . . . . . . . | 46,323 |
| Operating (loss) . . . . . . . . . . . | (38,166) |
| Transfer in . . . . . . . . . . . . . . . . . | 48,000 |
| Change in net position . . . . . . . . . . . | 9,834 |
| **Net position at beginning of year. . . . .** | 20,906 |
| **Net position at end of year . . . . . . . .** | $ 30,740 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
JUNE 30, 2018

| | Agency |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents . . . . . . . . . . . | $ 55,008 |
| **Net position:** | |
| Held for student activities . . . . . . . . . . . | $ 55,008 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1 - REPORTING ENTITY

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

The District was established in 1841 through the consolidation of existing land areas and school districts. The District serves an area approximately 30 square miles. It is located in Seneca County and includes the entire Village of New Riegel. It is staffed by 25 classified employees, 30 certified teaching personnel and 3 administrative employees who provide services to 444 students in grades K through 12 and other community members. The District currently operates one elementary, one middle school and one comprehensive high school.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

### A. Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

### B. Component Units

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

### C. Other Organizations

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

<u>JOINTLY GOVERNED ORGANIZATIONS</u>

<u>Northern Ohio Educational Computer Association (NOECA)</u>
The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school districts 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 NOECA Board of Directors consists of two representatives from each

county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Laurie Hill, who serves as Director, 219 Howard Drive, Sandusky, Ohio 44870.

Vanguard-Sentinel Technology and Career Centers
The Vanguard-Sentinel Technology and Career Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Technology and Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

Northwestern Ohio Educational Research Council, Inc. (NOERC)
The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the NOERC, Box 456, Ashland, Ohio 44805.

Bay Area Council of Governments (BACG)
The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid $25,852 during fiscal year 2018 for natural gas. Financial information is available from the North Point Educational Service Center (fiscal agent), at 4918 Milan Road, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program
The District participates in a group program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10.B. for further information on this group rating program.

INSURANCE PURCHASING POOL

The Ohio School Plan
The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its member which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by an 11-member board consisting of individual representatives from various OSP members. The Hylant Group Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

The District's management believes these financial statements present all activities for which the District is financially accountable.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

### A. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for goods and services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

### B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

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

*Building Fund* – The Building fund is used to account for the proceeds of debt issued for the purpose of improvements to school facilities.

*Classroom Facilities Maintenance Fund* – The Classroom Facilities Maintenance fund is used to account for the proceeds of a levy for the maintenance of facilities.

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund:* The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental and vision benefits to employees.

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 and do not involve measurement of results of operations. The District's agency funds account for student activities and employee benefits.

**C. Basis of Presentation**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of cash receipts and cash disbursements.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

During fiscal year 2018, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the General fund during fiscal year 2018 amounted to $23,823, which includes $2,714 assigned from other funds.

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

An analysis of the District's investment account at year end is provided in Note 5.

**F. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**H. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**K. Fund Cash Balance**

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the General fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**L. Net Position**

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

**M. Interfund Activity**

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

Interfund activity between governmental funds is eliminated in the statement of activities.

### N. Pensions/Other Postemployment Benefits (OPEB)

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

## NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

### A. Change in Accounting Principles

For fiscal year 2018, the District has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*" GASB Statement No. 85, "*Omnibus 2017*" and GASB Statement No. 86, "*Certain Debt Extinguishments*".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 12 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

### B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets and deferred outflows, liabilities and deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the General fund and Classroom Facilities Maintenance fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the budgetary basis statement to the cash basis statement for the General fund and Classroom Facilities Maintenance fund:

**Net Change in Fund Balance**

| | General Fund | Classroom Facilities Maintenance Fund |
|---|---|---|
| Budget basis | $ (1,226,294) | $ 30,991 |
| Funds budgeted elsewhere ** | (28,200) | |
| Adjustment for encumbrances | 465,129 | |
| Cash basis | $ (789,365) | $ 30,991 |

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budged in separate special revenue funds are considered part of the General fund on a cash basis. This includes the Public-School Support fund, Self-Insurance and Termination Benefits fund.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligation described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstance, corporate debt interest rate in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

**A. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was $3,095,331 and the bank balance of all District deposits was $3,146,890. Of the bank balance, $1,408,793 was covered by the FDIC and $1,738,097 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

**B. Investments**

As of June 30, 2018, the District had the following investments and maturities:

| Investment type | Net Asset Value | Investment Maturities 6 months or less |
|---|---|---|
| STAR Ohio | $ 511,915 | $ 511,915 |

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District has no policy dealing with credit risk beyond the requirements of State statute.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

| Investment type | Net Asset Value | % of Total |
|---|---|---|
| STAR Ohio | $ 511,915 | 100.00 |

**C. Reconciliation of Cash to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

| | |
|---|---|
| Cash and investments per note | |
| Carrying amount of deposits | $ 3,095,331 |
| Investments | 511,915 |
| Total | $ 3,607,246 |
| | |
| Cash and investments per statement of net position | |
| Governmental activities | $ 3,552,238 |
| Agency funds | 55,008 |
| Total | $ 3,607,246 |

## NOTE 6 - INTERFUND TRANSACTIONS

**Interfund transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund statements:

| Transfers from the General fund to: | Amount |
|---|---|
| Internal service fund | $ 48,000 |
| Building fund | 837,743 |
| Other nonmajor governmental funds | 299,090 |
| Total | $ 1,184,833 |

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

## NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes.

Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2018 (other than public utility property) generally represent the collection of calendar year 2016 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2017 were levied after October 1, 2016 on the value as of December 31, 2016. Amounts paid by multi-county taxpayers were due September 20, 2017. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2017, with the remainder payable by September 20, 2017.

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2018 taxes were collected are:

| | 2017 Second Half Collections | | 2018 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | $ 53,055,450 | 94.63 | $ 48,068,470 | 93.74 |
| Public utility personal | 3,009,390 | 5.37 | 3,208,510 | 6.26 |
| Total | $ 56,064,840 | 100.00 | $ 51,276,980 | 100.00 |
| Tax rate per $1,000 of assessed valuation | $39.26 | | $39.40 | |

## NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of three-quarters of one percent (0.75%) for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. An additional tax of three-quarters of one percent (0.75%) was passed by the voters on May 2, 2006. This additional tax was for a period of five years beginning January 1, 2007, for the purpose of current expenses. The levy was renewed by the voters on November 3, 2015 and will expire December 31, 2021. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund. Total income tax revenue for fiscal year 2018 equaled $777,799.

## NOTE 9 - LONG-TERM OBLIGATIONS

**A.** *Classroom Facilities Improvement Refunding Bonds - Series 2010* - On December 22, 2010, the District issued series 2010 classroom facilities improvement refunding bonds to refund the callable portion of the series 2001 general obligation bonds (principal $680,000). Issuance proceeds totaling $698,464 were deposited with an escrow agent.

This refunding issue is comprised of both current interest term bonds and capital appreciation bonds, in the amount of $645,000 and $34,999, respectively. The interest rate on the term bonds range from 1.20% to 3.80%. The bonds were issued for a thirteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the debt service fund (a nonmajor governmental fund). The capital appreciation bonds mature December 1, 2019 and 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. Both capital appreciation bonds bear an approximate compounding interest rate of 13.510%. The accreted value at maturity for both capital appreciation bonds is $60,000 each.

The $105,000 current interest term bonds maturing on December 1, 2014, shall bear interest at the rate of 1.80% per year and be subject to mandatory sinking fund redemption on December 1, 2013 (Mandatory Redemption Date), in the principal amount of $50,000 (with the balance of $55,000 to be paid at maturity on December 1, 2014).

The $115,000 current interest term bonds maturing on December 1, 2016, shall bear interest at the rate of 2.30% per year and be subject to mandatory sinking fund redemption on December 1, 2015 (Mandatory Redemption Date), in the principal amount of $55,000 (with the balance of $60,000 to be paid at maturity on December 1, 2016).

The $120,000 current interest term bonds maturing on December 1, 2018, shall bear interest at the rate of 2.90% per year and be subject to mandatory sinking fund redemption on December 1, 2017 (Mandatory Redemption Date), in the principal amount of $60,000 (with the balance of $60,000 to be paid at maturity on December 1, 2018).

The $195,000 current interest term bonds maturing on December 1, 2023, shall bear interest at the rate of 3.80% per year and be subject to mandatory redemption requirements on December 1 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of $65,000 to be paid at maturity on December 1, 2023).

| Year (December 1) | Amount |
|---|---|
| 2021 | $ 65,000 |
| 2022 | 65,000 |

*Certificates of Participation - Series 2017* - The series 2017 certificates of participation (COPs) were issued in fiscal year 2017 in the amount of $3,705,000 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The COPs bear interest rates ranging from 3.0% to 4.0% and the final stated maturity is December 1, 2041.

Principal and interest requirements to retire the outstanding debt obligations at June 30, 2018 are as follows:

| Fiscal Year Ending June 30, | Classroom Facilities Improvement Refunding Bonds - Series 2010: Current Interest Bonds Principal | Current Interest Bonds Interest | Current Interest Bonds Total | Capital Appreciation Bonds Principal | Capital Appreciation Bonds Interest | Capital Appreciation Bonds Total |
|---|---|---|---|---|---|---|
| 2019 | $ 60,000 | $ 8,280 | $ 68,280 | $ - | $ - | $ - |
| 2020 | - | 7,410 | 7,410 | 18,642 | 41,358 | 60,000 |
| 2021 | - | 7,410 | 7,410 | 16,357 | 43,643 | 60,000 |
| 2022 | 65,000 | 6,175 | 71,175 | - | - | - |
| 2023 | 65,000 | 3,705 | 68,705 | - | - | - |
| 2024 | 65,000 | 1,235 | 66,235 | - | - | - |
| Total | $ 255,000 | $ 34,215 | $ 289,215 | $ 34,999 | $ 85,001 | $ 120,000 |

| Fiscal Year Ending June 30, | Certificates of Participation: Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 110,000 | $ 118,400 | $ 228,400 |
| 2020 | 110,000 | 116,200 | 226,200 |
| 2021 | 115,000 | 113,950 | 228,950 |
| 2022 | 115,000 | 111,650 | 226,650 |
| 2023 | 115,000 | 109,350 | 224,350 |
| 2024 - 2028 | 625,000 | 503,938 | 1,128,938 |
| 2029 - 2033 | 725,000 | 399,850 | 1,124,850 |
| 2034 - 2038 | 875,000 | 243,425 | 1,118,425 |
| 2039 - 2042 | 830,000 | 65,243 | 895,243 |
| Total | $ 3,620,000 | $ 1,782,006 | $ 5,402,006 |

**B.** During fiscal year 2018, the following activity occurred in governmental activities long-term obligations:

| | Balance Outstanding June 30, 2017 | Additions | Reductions | Balance Outstanding June 30, 2018 | Amounts Due in One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Classroom facilities improvement refunding bonds, series 2010 | | | | | |
| Current interest term bonds | $ 315,000 | $ - | $ (60,000) | $ 255,000 | $ 60,000 |
| Capital appreciation bonds (CABs) | 34,999 | - | - | 34,999 | - |
| Accreted interest on CAB's | 46,248 | 11,344 | - | 57,592 | - |
| Certificates of Participation, Series 2017 | 3,705,000 | - | (85,000) | 3,620,000 | 110,000 |
| Total long-term obligations, governmental activities | $ 4,101,247 | $ 11,344 | $ (145,000) | $ 3,967,591 | $ 170,000 |

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of $4,422,859 (including available funds of $97,930) and an unvoted debt margin of $51,277.

## NOTE 10 - RISK MANAGEMENT

### A. Comprehensive

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 2018, the District contracted the following insurance coverage:

Coverage provided by Ohio School Plan.

| | |
|---|---|
| Building and Contents - replacement costs ($500 deductible) | $24,829,507 |
| Commercial Auto Coverage | |
| Liability | 6,000,000 |
| Uninsured/Underinsured Motorist | 250,000 |
| Medical Payments | 10,000 |
| General Liability | |
| Bodily Injury and Property Damage | 6,000,000 |
| Products/Completed Operations | 6,000,000 |
| Personal Injury/Advertising Liability | 6,000,000 |
| Annual Aggregate | 8,000,000 |
| Educators' Legal Liability | |
| Each Wrongful Act | 6,000,000 |
| Annual Aggregate | 8,000,000 |
| Employee Benefits Liability ($2,500 Deductible) | 6,000,000 |

### B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 1.C.). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Medical, Vision, and Dental Insurance**

The District elected to provide medical benefits to employees. The District pays a portion of the medical benefits' high deductible plan for employees. The plan is administered by Anthem and Custom Design Benefits.

The District offered vision and dental benefits to all employees through a self-insurance internal service fund. A comparison of the cash reserves to the actuarially measured liability as of June 30 is as follows:

| | Amount |
|---|---|
| Cash reserves | $ 141,825 |
| Actuarial liabilities | 21,494 |

## NOTE 11 - DEFINED BENEFIT PENSION PLANS

### Net Pension Liability

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 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.

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

Plan Description - The 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $76,332 for fiscal year 2018.

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

Plan Description - District licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, 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 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $282,073 for fiscal year 2018.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2017, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.01665800% | 0.01680476% | |
| Proportion of the net pension liability current measurement date | 0.01779190% | 0.01677080% | |
| Change in proportionate share | 0.00113390% | -0.00003396% | |
| Proportionate share of the net pension liability | $ 1,063,027 | $ 3,983,939 | $ 5,046,966 |

**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, 2017, are presented below:

| | |
|---|---|
| Wage inflation | 3.00 percent |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or ad hoc COLA | 2.50 percent |
| Investment rate of return | 7.50 percent net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 1,475,205 | $ 1,063,027 | $ 717,743 |

**Actuarial Assumptions - STRS Ohio**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

| | July 1, 2017 | July 1, 2016 |
|---|---|---|
| Inflation | 2.50 percent | 2.75 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent | 3.5 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date. |

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return * |
|---|---|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS; investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate -** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 5,710,842 | $ 3,983,939 | $ 2,529,283 |

## NOTE 12 - DEFINED BENEFIT OPEB PLANS

***Net OPEB Liability***

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 net OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net

OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $9,437.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $12,264 for fiscal year 2018.

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

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|---|---|---|---|
| Proportion of the net OPEB liability prior measurement date | 0.01797670% | 0.01677080% | |
| Proportion of the net OPEB liability current measurement date | 0.01797670% | 0.01677080% | |
| Change in proportionate share | 0.00000000% | 0.00000000% | |
| Proportionate share of the net OPEB liability | $ 482,447 | $ 654,335 | $ 1,136,782 |

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

| | |
|---|---|
| Wage inflation | 3.00 percent |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent |
| Investment rate of return | 7.50 percent net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.56 percent |
| Prior measurement date | 2.92 percent |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.63 percent |
| Prior measurement date | 2.98 percent |
| Medical trend assumption: | |
| Medicare | 5.50 to 5.00 percent |
| Pre-Medicare | 7.50 to 5.00 percent |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

***Discount Rate -*** The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates -*** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 582,617 | $ 482,447 | $ 403,088 |

| | 1% Decrease (6.5 % decreasing to 4.0 %) | Current Trend Rate (7.5 % decreasing to 5.0 %) | 1% Increase (8.5 % decreasing to 6.0 %) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 391,470 | $ 482,447 | $ 602,858 |

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

| | |
|---|---|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 |
| Blended discount rate of return | 4.13 percent |
| Health care cost trends | 6 to 11 percent initial, 4.5 percent ultimate |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return * |
|---|---|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

***Discount Rate -*** The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate*** **-** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 878,434 | $ 654,335 | $ 477,223 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 454,604 | $ 654,335 | $ 917,204 |

## NOTE 13 - CONTINGENCIES

### A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

### B. Litigation

The District is involved in no material litigation as defendant.

In April 2015, an action was filed in the Seneca County Common Pleas Court with New Riegel Local School as plaintiff. This action was New Riegel Local Schools vs. Buehrer Group Architecture (which has since expanded to include Buehrer Group Architecture & Engineering, Inc; Buehrer Group Architecture and Engineering; and The Estate of Hubert H. Buehrer (“The Estate”)). There have since been additional actions filed as New Riegel Local Schools vs. Charles Construction and New Riegel Local Schools vs. Ohio Farmers Insurance Co. as surety for Studer-Obringer (“Ohio Farmers”). These cases are in regards to building defects in the construction of our K-12 school building. While much investigation and legal work has transpired since then, all cases are still pending.

### C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE adjustments for fiscal year 2018 are a total receivable of $4,984 for the District.

## NOTE 14 - STATUTORY RESERVES

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

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

| | Capital Improvements |
|---|---|
| Set-aside balance June 30, 2017 | $ - |
| Current year set-aside requirement | 69,622 |
| Current year offsets | (75,000) |
| Total | $ (5,378) |
| Balance carried forward to fiscal year 2019 | $ - |
| Set-aside balance June 30, 2018 | $ - |

## NOTE 15 - OTHER COMMITMENTS

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

| Fund | Year-End Encumbrances |
|---|---|
| General | $ 465,779 |
| Building | 271,059 |
| Nonmajor governmental funds | 35,609 |
| Total | $ 772,447 |

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

## Financial Highlights

Key financial highlights for 2017 are as follows:

- The total net position of the District increased $3,127,612 or 81.89% from fiscal year 2016.
- General receipts accounted for $8,161,673 or 87.90% of total governmental activities receipts. Program specific receipts accounted for $1,123,107 or 12.10% of total governmental activities receipts.
- The District had $6,157,168 in disbursements related to governmental activities; $1,123,107 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts of $8,161,673 were adequate to provide for these programs.
- The District's major funds are the General fund and the Building fund. The General fund, the District's largest major fund, had total receipts and other financing sources of $5,046,764 in 2017. The disbursements and other financing uses of the General fund, totaled $4,815,614 in 2017. The General fund's balance increased $231,150 or 7.45% from 2016 to 2017.
- The Building fund had total receipts and other financing sources of $3,611,504 in 2017. The disbursements of the Building fund totaled $753,816 in 2017. The fund balance increased $2,857,688.

## Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

## Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net position will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## Reporting the District as a Whole

### *Statement of Net Position and the Statement of Activities*

The statement of net position and statement of activities reflect how the District did financially during fiscal year 2017, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental type activities of the District at the fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's net cash position and the changes in cash position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position in one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

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

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

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

### *Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a single column.

### *Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee dental and vision self-insurance.

### *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are an agency fund.

### *Notes to the Financial Statements*

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

## The District as a Whole

The table below provides a summary of the District's net position for 2017 and 2016.

**Net Position**

| | Governmental Activities 2017 | Governmental Activities 2016 |
|---|---|---|
| Assets | | |
| Equity in pooled cash and cash equivalents | $ 6,946,755 | $ 3,819,143 |
| Net Position | | |
| Restricted | $ 3,471,474 | $ 588,584 |
| Unrestricted | 3,475,281 | 3,230,559 |
| Total net position | $ 6,946,755 | $ 3,819,143 |

The total net position of the District increased $3,127,612 which represents an 81.89% % increase from fiscal year 2016. This large change is due to the large influx of cash and cash equivalents from the issuance of debt to finance a building improvements project. The balance of government-wide unrestricted net position of $3,475,281 may be used to meet the government's ongoing obligations to citizens and creditors.

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

**Change in Net Position**

| | Governmental Activities 2017 | Governmental Activities 2016 |
|---|---|---|
| **Receipts:** | | |
| Program receipts: | | |
| Charges for services and sales | $ 827,785 | $ 749,107 |
| Operating grants and contributions | 295,322 | 287,962 |
| Total program receipts | 1,123,107 | 1,037,069 |
| General receipts: | | |
| Property taxes | 1,120,560 | 1,094,777 |
| Income tax | 747,575 | 718,389 |
| Unrestricted grants | 2,470,814 | 2,188,218 |
| Premium on Certificate of Participation | 41,396 | - |
| Issuance of Certificate of Participation | 3,705,000 | - |
| Investment earnings | 34,829 | 27,383 |
| Other | 41,499 | 24,413 |
| Total general receipts | 8,161,673 | 4,053,180 |
| Total receipts | $ 9,284,780 | $ 5,090,249 |

(continued)

**Change in Net Position**
**(Continued)**

| | Governmental Activities 2017 | Governmental Activities 2016 |
|---|---|---|
| **Disbursements:** | | |
| Instruction: | | |
| Regular | $ 2,219,526 | $ 1,995,742 |
| Special | 302,076 | 268,138 |
| Vocational | 22,830 | 21,359 |
| Other | 27,729 | 59,660 |
| Support services: | | |
| Pupil | 174,434 | 148,728 |
| Instructional staff | 209,895 | 194,857 |
| Board of education | 290,597 | 202,130 |
| Administration | 369,000 | 355,647 |
| Fiscal | 262,443 | 231,163 |
| Operations and maintenance | 541,102 | 494,916 |
| Pupil transporation | 177,984 | 163,816 |
| Food service operations | 154,858 | 163,947 |
| Extracurricular | 225,518 | 188,420 |
| Facilities acquisition and construction | 930,565 | 10,238 |
| Debt service: | | |
| Principal retirement | 60,000 | 55,000 |
| Interest and fiscal charges | 188,611 | 12,903 |
| Total disbursements | 6,157,168 | 4,566,664 |
| Change in net position | 3,127,612 | 523,585 |
| Net position at beginning of year | 3,819,143 | 3,295,558 |
| Net position at end of year | $ 6,946,755 | $ 3,819,143 |

## Governmental Activities

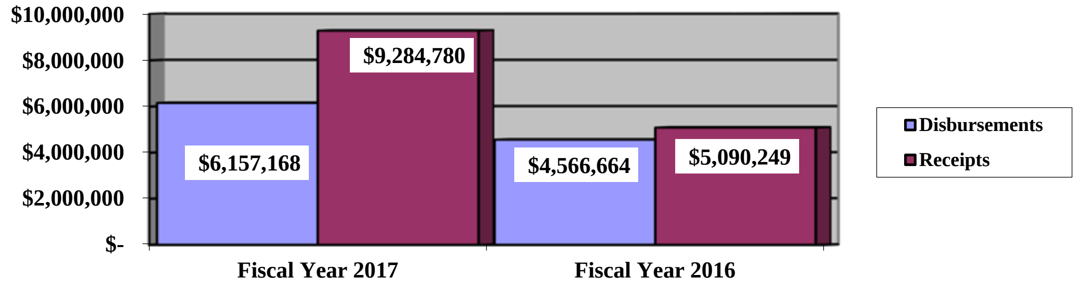
Net position increased by $3,127,612 in 2017. Total governmental disbursements of $6,157,168 were offset by program receipts of $1,123,107 and general receipts of $8,161,673. Program receipts supported 18.24% of the total governmental disbursements.

Other than the issuance of debt the primary sources of receipts for 2017 are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 46.73% of total governmental receipts. Real estate property is reappraised every six years.

The largest disbursement of the District is for instructional programs. These disbursements totaled $2,572,161 or 41.78% of total governmental disbursements for fiscal year 2017.

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

**Governmental Activities - Total Receipts vs. Total Disbursements**



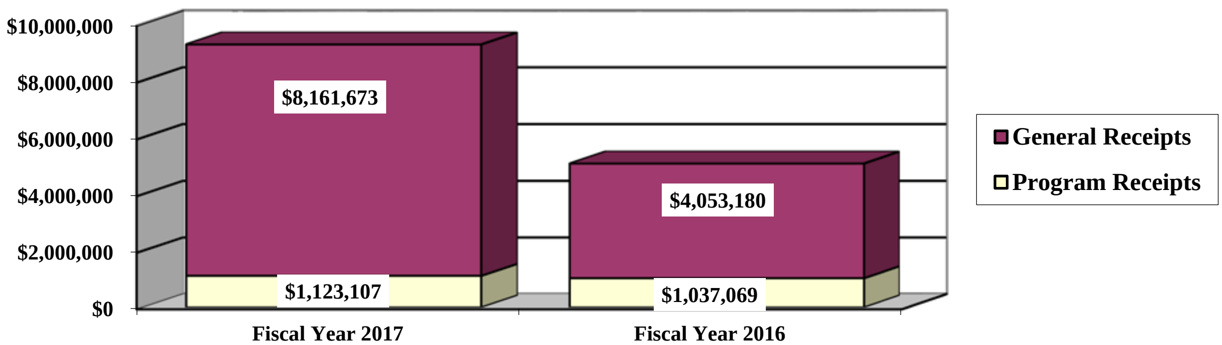

The statement of activities shows the cost of program services and the charges for services and grants off setting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

| | Governmental Activities | | | |
|---|---|---|---|---|
| | Total Cost of Services 2017 | Net Cost of Services 2017 | Total Cost of Services 2016 | Net Cost of Services 2016 |
| **Disbursements:** | | | | |
| Instruction: | | | | |
| Regular | $ 2,219,526 | $ 1,692,735 | $ 1,995,742 | $ 1,490,019 |
| Special | 302,076 | 15,233 | 268,138 | 78,096 |
| Vocational | 22,830 | 20,916 | 21,359 | 18,931 |
| Other | 27,729 | 27,729 | 59,660 | 29,607 |
| Support services: | | | | |
| Pupil | 174,434 | 138,516 | 148,728 | 114,171 |
| Instructional staff | 209,895 | 209,895 | 194,857 | 194,857 |
| Board of education | 290,597 | 290,597 | 202,130 | 202,130 |
| Administration | 369,000 | 369,000 | 355,647 | 355,047 |
| Fiscal | 262,443 | 262,443 | 231,163 | 231,163 |
| Operations and maintenance | 541,102 | 536,614 | 494,916 | 490,076 |
| Pupil transportation | 177,984 | 168,420 | 163,816 | 163,816 |
| Food service operations | 154,858 | (1,336) | 163,947 | 2,440 |
| Extracurricular | 225,518 | 124,123 | 188,420 | 81,101 |
| Facilities acquisition and construction | 930,565 | 930,565 | 10,238 | 10,238 |
| Debt service: | | | | |
| Principal retirement | 60,000 | 60,000 | 55,000 | 55,000 |
| Interest and fiscal charges | 188,611 | 188,611 | 12,903 | 12,903 |
| Total | $ 6,157,168 | $ 5,034,061 | $ 4,566,664 | $ 3,529,595 |

The dependence upon general receipts for instructional activities is apparent; with 68.29% of disbursements supported through taxes and other general receipts during 2017. For all governmental activities, general receipts support is 81.76%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, are the primary support of the District's students.

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

**Governmental Activities - General and Program Receipts**




## The District's Funds

The District's governmental funds reported a combined fund cash balance of $6,925,849, which is $3,124,803 above last year's total of $3,801,046. This large change is due to the issuance of debt in the Building fund for a building improvements project. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for all major and nonmajor governmental funds.

| | Fund Balance June 30, 2017 | Fund Balance June 30, 2016 | Change |
|---|---|---|---|
| General fund | $ 3,335,132 | $ 3,103,982 | $ 231,150 |
| Building fund | 2,857,688 | - | 2,857,688 |
| Other governmental funds | 733,029 | 697,064 | 35,965 |
| Total | $ 6,925,849 | $ 3,801,046 | $ 3,124,803 |

### *General Fund*

The General fund, the District's largest major fund, had total receipts and other financing sources of $5,046,764 in 2017. The disbursements and other financing uses of the General fund, totaled $4,815,614 in 2017. The General fund's balance increased $231,150 or 7.45% from 2016 to 2017.

The table that follows assists in illustrating the receipts of the General fund.

| | 2017 Amount | 2016 Amount | Percentage Change |
|---|---|---|---|
| **Receipts:** | | | |
| Taxes | $ 1,796,511 | $ 1,757,326 | 2.23 % |
| Tuition | 600,229 | 518,798 | 15.70 % |
| Earnings on investments | 21,100 | 24,654 | (14.42) % |
| Other local revenues | 102,075 | 81,920 | 24.60 % |
| Intergovernmental - State | 2,526,249 | 2,237,808 | 12.89 % |
| Total | $ 5,046,164 | $ 4,620,506 | 9.21 % |

During 2017, tuition revenue increased due to an increase in special education tuition. The District received additional State Foundation Funding in 2017 which resulted in higher intergovernmental revenue. All other revenue remained comparable to 2016.

The table that follows assists in illustrating the disbursements of the General fund.

| | 2017 Amount | 2016 Amount | Percentage Change |
|---|---|---|---|
| **Disbursements:** | | | |
| Instruction | $ 2,401,033 | $ 2,171,190 | 10.59 % |
| Support services | 1,902,975 | 1,700,634 | 11.90 % |
| Extracurricular | 171,020 | 144,860 | 18.06 % |
| Facilities acquisition and construction | 176,749 | 10,238 | 1,626.40 % |
| Total | $ 4,651,777 | $ 4,026,922 | 15.52 % |

Disbursements remained comparable to 2016 with the overall increase of $624,855 due in part to increases in wages and benefits costs. Facilities, acquisition, and construction disbursements were higher in 2017 as the District financed additional building repairs with General fund money.

***Building Fund***

The Building fund had total receipts of $3,611,504 in 2017. The disbursements of the Building fund totaled $753,816 in 2017. Fund balance increased $2,857,688.

***Budgeting Highlights - General Fund***

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

For the General fund, actual receipts and other financing sources of $5,034,936 were higher than final budgeted receipts and other financing sources by $185,121. The final budgeted receipts and other financing sources of $4,849,815 were the same as the original budgeted amounts of $4,849,815. The actual budgeted disbursements and other financing uses of $6,637,386 were $95,545 lower than the final budgeted disbursements and other financing uses. The final budgeted disbursements and other financing uses of $6,732,931 were $415,000 higher than the original amounts.

## Capital Assets and Debt Administration

### *Capital Assets*

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. Facilities acquisition and construction disbursements in fiscal year 2017 amounted to $930,565.

### *Debt Administration*

The District had the following long-term obligations outstanding at June 30, 2017 and 2016:

| | Governmental Activities 2017 | Governmental Activities 2016 |
|---|---|---|
| Series 2011 bond refunding | | |
| Term Bonds | $ 315,000 | $ 375,000 |
| Captial Appreciation Bonds | 34,999 | 34,999 |
| Accreted Interest on CABs | 46,248 | 36,292 |
| 2017 Certificate of Participation | 3,705,000 | - |
| Total long-term obligations | $ 4,101,247 | $ 446,291 |

## Current Financial Related Activities

The District has carefully managed its General Fund in order to optimize the dollars available for educating its students.

The District's local funding includes a continuing .75% income tax and an additional 5 year, .75% income tax. The additional .75% income tax became effective January 1, 2007. A renewal levy for this .75% income was approved by the voters on November 2, 2010 and again on November 3, 2015. This levy will expire December 31, 2021. Our District's real estate tax effective rate is 20 mills. Our District is extremely fortunate to have strong support from our local community.

In both fiscal years 2016 and 2017 our District received significant increases in state funding due to changes implemented in the State's 2016-17 biennial budget. In fiscal year 2016, state funding increased $210,600 from the prior year. In fiscal year 2017, state funding increased $288,000 from fiscal year 2016. Our state funding had been stagnant since 2003, so these increases are a very welcome growth in revenue. As always, we will keep a close eye on the State Legislature for indications on how state funding my change in the future.

New Riegel Local School is currently plaintiff in lawsuits vs. Buehrer Group Architecture, Charles Construction Services, Studer-Obringer Inc. and The Ohio School Facilities Commission. The case is in regards to building defects in the construction of our K-12 school building. Remedial work is currently being done to correct these defects. In February 2017, the district issued $3,705,000 of Certificates of Participation to fund the repair project.

Our District continues to strive to best utilize the resources available to us. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resource required to meet the student's desired needs over the next several years. It is always our goal to provide "a quality education in a small school setting".

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jane A. Schalk, Treasurer, New Riegel Local School District, 44 North Perry Street, New Riegel, Ohio 44853-0207.

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

| | Governmental Activities |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents. . . | $ 6,946,755 |
| | |
| **Net position:** | |
| Restricted for: | |
| Capital projects . . . . . . . . . . . . . . . . | $ 2,857,688 |
| Locally funded programs . . . . . . . . . . . | 1,932 |
| Federally funded programs . . . . . . . . . . | 150 |
| Student activities . . . . . . . . . . . . . . . | 38,640 |
| Classroom facilities maintenance . . . . . . . | 442,529 |
| Debt service. . . . . . . . . . . . . . . . . . | 97,860 |
| Other purposes . . . . . . . . . . . . . . . . | 32,675 |
| Unrestricted . . . . . . . . . . . . . . . . . . . | 3,475,281 |
| Total net position. . . . . . . . . . . . . . . . | $ 6,946,755 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

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

| | | Program Cash Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|---|---|---|---|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| **Governmental activities:** | | | | |
| Instruction: | | | | |
| Regular | $ 2,219,526 | $ 498,082 | $ 28,709 | $ (1,692,735) |
| Special | 302,076 | 116,569 | 170,274 | (15,233) |
| Vocational | 22,830 | - | 1,914 | (20,916) |
| Other | 27,729 | - | - | (27,729) |
| Support services: | | | | |
| Pupil | 174,434 | - | 35,918 | (138,516) |
| Instructional staff | 209,895 | - | - | (209,895) |
| Board of education | 290,597 | - | - | (290,597) |
| Administration | 369,000 | - | - | (369,000) |
| Fiscal | 262,443 | - | - | (262,443) |
| Operations and maintenance | 541,102 | 882 | 3,606 | (536,614) |
| Pupil transportation | 177,984 | 8,707 | 857 | (168,420) |
| Operation of non-instructional services: | | | | |
| Food service operations | 154,858 | 107,157 | 49,037 | 1,336 |
| Extracurricular activities | 225,518 | 96,388 | 5,007 | (124,123) |
| Facilities acquisition and construction | 930,565 | - | - | (930,565) |
| Debt service: | | | | |
| Principal retirement | 60,000 | - | - | (60,000) |
| Interest and fiscal charges | 188,611 | - | - | (188,611) |
| Total governmental activities | $ 6,157,168 | $ 827,785 | $ 295,322 | (5,034,061) |

| | |
|---|---|
| **General Receipts:** | |
| Property taxes levied for: | |
| General purposes | 1,048,936 |
| Special revenue | 14,659 |
| Debt service | 56,965 |
| School district income tax | 747,575 |
| Grants and entitlements not restricted to specific programs | 2,470,814 |
| Investment earnings | 34,829 |
| Miscellaneous | 41,499 |
| Issuance of certificates of participation | 3,705,000 |
| Premium on certificates of participation | 41,396 |
| Total general receipts | 8,161,673 |
| Change in net position | 3,127,612 |
| **Net position at beginning of year** | 3,819,143 |
| **Net position at end of year** | $ 6,946,755 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | General | Building | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets:** | | | | |
| Equity in pooled cash and cash equivalents. . . . . . . . . . . . . . | $ 3,335,132 | $ 2,857,688 | $ 733,029 | $ 6,925,849 |
| **Fund balances:** | | | | |
| Restricted: | | | | |
| Debt service . . . . . . . . . . . . . . . . . | $ - | $ - | $ 97,860 | $ 97,860 |
| Capital improvements . . . . . . . . . . . . | - | 2,857,688 | - | 2,857,688 |
| Classroom facilities maintenance . . . . . . | - | - | 442,529 | 442,529 |
| Food service operations . . . . . . . . . . . | - | - | 32,675 | 32,675 |
| Extracurricular. . . . . . . . . . . . . . . . | - | - | 38,640 | 38,640 |
| Other purposes. . . . . . . . . . . . . . . . | - | - | 2,082 | 2,082 |
| Committed: | | | | |
| Termination benefits. . . . . . . . . . . . . | 57,345 | - | - | 57,345 |
| Assigned: | | | | |
| Student instruction . . . . . . . . . . . . . . | 13,831 | - | - | 13,831 |
| Student and staff support. . . . . . . . . . . | 116,087 | - | - | 116,087 |
| Capital improvements . . . . . . . . . . . . | 1,694,673 | - | 119,243 | 1,813,916 |
| Public school support . . . . . . . . . . . . | 19,403 | - | - | 19,403 |
| Unassigned . . . . . . . . . . . . . . . . . . | 1,433,793 | - | - | 1,433,793 |
| Total fund balances . . . . . . . . . . . . . . . | $ 3,335,132 | $ 2,857,688 | $ 733,029 | $ 6,925,849 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

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

| | | |
|---|---|---|
| **Total governmental fund balances** | $ | 6,925,849 |
| *Amounts reported for governmental activities on the statement of net position are different because:* | | |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities on the statement of net position. | | 20,906 |
| **Net position of governmental activities** | $ | 6,946,755 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | General | Building | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Receipts:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 1,048,936 | $ - | $ 71,624 | $ 1,120,560 |
| Income taxes | 747,575 | - | - | 747,575 |
| Tuition | 600,229 | - | - | 600,229 |
| Charges for services | - | - | 107,157 | 107,157 |
| Earnings on investments | 21,100 | 11,504 | 2,336 | 34,940 |
| Extracurricular | 45,528 | - | 59,623 | 105,151 |
| Classroom materials and fees | 14,422 | - | - | 14,422 |
| Contributions and donations | - | - | 5,870 | 5,870 |
| Rental income | 826 | - | - | 826 |
| Other local revenues | 41,299 | - | 200 | 41,499 |
| Intergovernmental - intermediate | - | - | 1,163 | 1,163 |
| Intergovernmental - state | 2,526,249 | - | 25,605 | 2,551,854 |
| Intergovernmental - federal | - | - | 207,138 | 207,138 |
| Total receipts | 5,046,164 | 11,504 | 480,716 | 5,538,384 |
| **Disbursements:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,146,275 | - | 48,287 | 2,194,562 |
| Special | 205,386 | - | 95,503 | 300,889 |
| Vocational | 22,830 | - | - | 22,830 |
| Other | 26,542 | - | - | 26,542 |
| Support services: | | | | |
| Pupil | 137,329 | - | 35,918 | 173,247 |
| Instructional staff | 209,895 | - | - | 209,895 |
| Board of education | 290,597 | - | - | 290,597 |
| Administration | 366,626 | - | - | 366,626 |
| Fiscal | 259,530 | - | 1,726 | 261,256 |
| Operations and maintenance | 474,462 | - | 65,453 | 539,915 |
| Pupil transportation | 164,536 | - | 9,330 | 173,866 |
| Food service operations | - | - | 154,858 | 154,858 |
| Extracurricular activities | 171,020 | - | 54,498 | 225,518 |
| Facilities acquisition and construction | 176,749 | 753,816 | - | 930,565 |
| Debt service: | | | | |
| Principal retirement | - | - | 60,000 | 60,000 |
| Interest and fiscal charges | - | - | 44,573 | 44,573 |
| Debt issuance costs | - | - | 144,038 | 144,038 |
| Total disbursements | 4,651,777 | 753,816 | 714,184 | 6,119,777 |
| Excess (deficiency) of receipts over (under) disbursements | 394,387 | (742,312) | (233,468) | (581,393) |
| **Other financing sources (uses):** | | | | |
| Premium on certificates of participation | - | - | 41,396 | 41,396 |
| Issuance of certificates of participation | - | 3,600,000 | 105,000 | 3,705,000 |
| Transfers in | - | - | 123,637 | 123,637 |
| Transfers (out) | (163,837) | - | - | (163,837) |
| Advances in | 600 | - | - | 600 |
| Advances (out) | - | - | (600) | (600) |
| Total other financing sources (uses) | (163,237) | 3,600,000 | 269,433 | 3,706,196 |
| Net change in fund balances | 231,150 | 2,857,688 | 35,965 | 3,124,803 |
| **Fund balances at beginning of year** | 3,103,982 | - | 697,064 | 3,801,046 |
| **Fund balances at end of year** | $ 3,335,132 | $ 2,857,688 | $ 733,029 | $ 6,925,849 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS - CASH BASIS
TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds** | $ | 3,124,803 |
| *Amounts reported for governmental activities in the statement of activities are different because:* | | |
| An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities. | | 2,809 |
| **Change in net position of governmental activities** | $ | 3,127,612 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | Budgeted Amounts | | | Variance with Final Budget |
|---|---|---|---|---|
| | **Original** | **Final** | **Actual** | **Positive (Negative)** |
| **Receipts:** | | | | |
| From local sources: | | | | |
| Property taxes | $ 1,045,391 | $ 1,039,700 | $ 1,048,936 | $ 9,236 |
| Income taxes | 744,050 | 740,000 | 747,575 | 7,575 |
| Tuition | 537,928 | 535,000 | 600,229 | 65,229 |
| Earnings on investments | 14,278 | 14,200 | 21,100 | 6,900 |
| Extracurricular | 10,055 | 10,000 | 10,000 | - |
| Classroom materials and fees | 15,082 | 15,000 | 14,422 | (578) |
| Rental income | 804 | 800 | 826 | 26 |
| Contributions and donations | 201 | 200 | - | (200) |
| Other local revenues | 23,126 | 23,000 | 26,434 | 3,434 |
| Intergovernmental - state | 2,458,900 | 2,445,515 | 2,526,249 | 80,734 |
| Total receipts | 4,849,815 | 4,823,415 | 4,995,771 | 172,356 |
| **Disbursements:** | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 1,980,460 | 2,118,643 | 2,148,280 | (29,637) |
| Special | 204,495 | 218,764 | 209,963 | 8,801 |
| Vocational | 31,391 | 33,581 | 30,078 | 3,503 |
| Other | 27,096 | 28,987 | 26,542 | 2,445 |
| Support services: | | | | |
| Pupil | 108,587 | 116,163 | 137,329 | (21,166) |
| Instructional staff | 181,503 | 194,167 | 213,895 | (19,728) |
| Board of education | 376,576 | 402,850 | 366,709 | 36,141 |
| Administration | 346,185 | 370,339 | 366,626 | 3,713 |
| Fiscal | 243,927 | 260,946 | 263,280 | (2,334) |
| Operations and maintenance | 500,006 | 534,893 | 485,666 | 49,227 |
| Pupil transportation | 151,513 | 162,085 | 182,408 | (20,323) |
| Extracurricular activities | 133,363 | 142,669 | 139,120 | 3,549 |
| Facilities acquisition and construction | 1,537,829 | 1,645,128 | 1,871,423 | (226,295) |
| Total disbursements | 5,822,931 | 6,229,215 | 6,441,319 | (212,104) |
| Excess of disbursements over receipts | (973,116) | (1,405,800) | (1,445,548) | (39,748) |
| **Other financing sources (uses):** | | | | |
| Refund of prior year's expenditures | - | - | 14,865 | 14,865 |
| Transfers in | - | 26,400 | 23,700 | (2,700) |
| Transfers (out) | (495,000) | (503,716) | (196,067) | 307,649 |
| Advances in | - | - | 600 | 600 |
| Total other financing sources (uses) | (495,000) | (477,316) | (156,902) | 320,414 |
| Net change in fund balance | (1,468,116) | (1,883,116) | (1,602,450) | 280,666 |
| **Fund balance at beginning of year** | 2,748,612 | 2,748,612 | 2,748,612 | - |
| **Prior year encumbrances appropriated** | 287,631 | 287,631 | 287,631 | - |
| **Fund balance at end of year** | $ 1,568,127 | $ 1,153,127 | $ 1,433,793 | $ 280,666 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2017

| | Governmental Activities - Internal Service Fund |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents | $ 20,906 |
| **Net position:** | |
| Unrestricted | $ 20,906 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | Governmental Activities - Internal Service Fund |
|---|---|
| **Operating receipts:** | |
| Charges for services. . . . . . . . . . | $ 8,063 |
| **Operating disbursements:** | |
| Claims . . . . . . . . . . . . . . . . . . . . | 45,454 |
| Operating (loss) . . . . . . . . . . . | (37,391) |
| Transfer in . . . . . . . . . . . . . . . . . | 40,200 |
| Change in net position . . . . . . . . . . . | 2,809 |
| **Net position at beginning of year. . . . .** | 18,097 |
| **Net position at end of year . . . . . . . .** | $ 20,906 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
JUNE 30, 2017

| | Agency |
|---|---|
| **Assets:** | |
| Equity in pooled cash and cash equivalents . . . . . . . . . . . | $ 50,929 |
| **Net position:** | |
| Held for student activities . . . . . . . . . . . | $ 50,929 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## NOTE 1 - REPORTING ENTITY

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

The District was established in 1841 through the consolidation of existing land areas and school districts. The District serves an area approximately 30 square miles. It is located in Seneca County and includes the entire Village of New Riegel. It is staffed by 25 classified employees, 30 certified teaching personnel and 3 administrative employees who provide services to 422 students in grades K through 12 and other community members. The District currently operates one elementary, one middle school and one comprehensive high school.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

### A. Primary Government

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

### B. Component Units

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

### C. Other Organizations

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)
The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school districts 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 NOECA Board of Directors consists of two representatives from each

county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Laurie Hill, who serves as Director, 219 Howard Drive, Sandusky, Ohio 44870.

Vanguard-Sentinel Technology and Career Centers
The Vanguard-Sentinel Technology and Career Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Technology and Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

Northwestern Ohio Educational Research Council, Inc. (NOERC)
The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the NOERC, Box 456, Ashland, Ohio 44805.

Bay Area Council of Governments (BACG)
The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid $15,755 during fiscal year 2017 for natural gas. Financial information is available from the North Point Educational Service Center (fiscal agent), at 4918 Milan Road, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Program
The District participates in a group program for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10.B. for further information on this group rating program.

INSURANCE PURCHASING POOL

Schools of Ohio Risk Sharing Authority
The District participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of Directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

The District's management believes these financial statements present all activities for which the District is financially accountable.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

### A. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for goods and services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

### B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

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

*Building Fund* – The Building fund is used to account for the proceeds of debt issued for the purpose of improvements to school facilities.

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund:* The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental and vision benefits to employees.

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 and do not involve measurement of results of operations. The District's agency funds account for student activities and employee benefits.

**C. Basis of Presentation**

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of cash receipts and cash disbursements.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

**D. Budgetary Process**

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

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

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

**E. Cash and Investments**

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

During fiscal year 2017, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2017 amounted to $21,100, which includes $2,266 assigned from other funds.

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

An analysis of the District's investment account at year end is provided in Note 5.

**F. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**H. Accumulated Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**K. Fund Cash Balance**

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the General fund that is in spendable form that is not restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

**L. Net Position**

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

**M. Interfund Activity**

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

Interfund activity between governmental funds is eliminated in the statement of activities.

**N. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon 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 AND COMPLIANCE

### A. Change in Accounting Principles

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

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

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

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

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

### B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets and deferred outflows, liabilities and deferred inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

## NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the General fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the budgetary basis statement to the cash basis statement for the General fund:

**Net Change in Fund Balance**

| | General fund |
|---|---|
| Budget basis | $ (1,602,450) |
| Funds budgeted elsewhere ** | 9,009 |
| Adjustment for encumbrances | 1,824,591 |
| Cash basis | $ 231,150 |

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budged in separate special revenue funds are considered part of the General fund on a GAAP basis. This includes the Public School Support fund, Self-Insurance and Termination Benefits fund.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligation described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstance, corporate debt interest rate in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

**A. Deposits with Financial Institutions**

At June 30, 2017, the carrying amount of all District deposits was $3,633,102. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, $2,327,878 of the District's bank balance of $3,761,876 was exposed to custodial risk as discussed below, while $1,433,998 was covered by the FDIC.

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

**B. Investments**

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

| | | Investment Maturities |
|---|---|---|
| Investment type | Net Asset Value | 6 months or less |
| STAR Ohio | $ 3,364,582 | $ 3,364,582 |

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District has no policy dealing with credit risk beyond the requirements of State statute.

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

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

| Investment type | Net Asset Value | % of Total |
|---|---|---|
| STAR Ohio | $ 3,364,582 | 100.00 |

**C. Reconciliation of Cash to the Statement of Net Position**

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

| Cash and investments per note | | |
|---|---|---|
| Carrying amount of deposits | $ | 3,633,102 |
| Investments | | 3,364,582 |
| Total | $ | 6,997,684 |

| Cash and investments per statement of net position | | |
|---|---|---|
| Governmental activities | $ | 6,946,755 |
| Agency funds | | 50,929 |
| Total | $ | 6,997,684 |

## NOTE 6 - INTERFUND TRANSACTIONS

### A. Interfund transfers

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

| Transfers from the General fund to: | | Amount |
|---|---|---|
| Internal service fund | $ | 40,200 |
| Nonmajor governmental funds | | 123,637 |
| Total | $ | 163,837 |

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

### B. Advances

Advances for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

| Advances to General fund from: | | |
|---|---|---|
| Nonmajor governmental funds | $ | 600 |

Advances between governmental funds are eliminated on the government-wide financial statements; therefore, no advances are reported in the statement of activities.

## NOTE 7 - PROPERTY TAXES

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

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

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes.

Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2017 (other than public utility property) generally represent the collection of calendar year 2015 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2016 were levied after October 1, 2015 on the value as of December 31, 2015. Amounts paid by multi-county taxpayers were due September 20, 2016. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2016, with the remainder payable by September 20, 2016.

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

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

| | 2016 Second Half Collections | | 2017 First Half Collections | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | $ 52,809,940 | 94.73 | $ 53,055,450 | 94.63 |
| Public utility personal | 2,938,540 | 5.27 | 3,009,390 | 5.37 |
| Total | $ 55,748,480 | 100.00 | $ 56,064,840 | 100.00 |
| Tax rate per $1,000 of assessed valuation | $39.10 | | $39.26 | |

## NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of three-quarters of one percent (0.75%) for general operations on the income of residents and of estates. The tax was effective on January 1, 1990, and is a continuing tax. An additional tax of three-quarters of one percent (0.75%) was passed by the voters on May 2, 2006. This additional tax was for a period of five years beginning January 1, 2007, for the purpose of current expenses. The levy was renewed by the voters on November 3, 2015 and will expire December 31, 2021. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General fund. Total income tax revenue for fiscal year 2017 equaled $747,575.

## NOTE 9 - LONG-TERM OBLIGATIONS

**A.** *Classroom Facilities Improvement Refunding Bonds - Series 2010* - On December 22, 2010, the District issued series 2010 classroom facilities improvement refunding bonds to refund the callable portion of the series 2001 general obligation bonds (principal $680,000). Issuance proceeds totaling $698,464 were deposited with an escrow agent.

This refunding issue is comprised of both current interest term bonds and capital appreciation bonds, in the amount of $645,000 and $34,999, respectively. The interest rate on the term bonds range from 1.20% to 3.80%. The bonds were issued for a thirteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the debt service fund (a nonmajor governmental fund). The capital appreciation bonds mature December 1, 2019 and 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. Both capital appreciation bonds bear an approximate compounding interest rate of 13.510%. The accreted value at maturity for both capital appreciation bonds is $60,000 each.

The $105,000 current interest term bonds maturing on December 1, 2014, shall bear interest at the rate of 1.80% per year and be subject to mandatory sinking fund redemption on December 1, 2013 (Mandatory Redemption Date), in the principal amount of $50,000 (with the balance of $55,000 to be paid at maturity on December 1, 2014).

The $115,000 current interest term bonds maturing on December 1, 2016, shall bear interest at the rate of 2.30% per year and be subject to mandatory sinking fund redemption on December 1, 2015 (Mandatory Redemption Date), in the principal amount of $55,000 (with the balance of $60,000 to be paid at maturity on December 1, 2016).

The $120,000 current interest term bonds maturing on December 1, 2018, shall bear interest at the rate of 2.90% per year and be subject to mandatory sinking fund redemption on December 1, 2017 (Mandatory Redemption Date), in the principal amount of $60,000 (with the balance of $60,000 to be paid at maturity on December 1, 2018).

The $195,000 current interest term bonds maturing on December 1, 2023, shall bear interest at the rate of 3.80% per year and be subject to mandatory redemption requirements on December 1 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of $65,000 to be paid at maturity on December 1, 2023).

| Year (December 1) | Amount |
|---|---|
| 2021 | $ 65,000 |
| 2022 | 65,000 |

*Certificates of Participation - Series 2017* - The series 2017 certificates of participation (COPs) were issued in fiscal year 2017 in the amount of $3,705,000 for the purpose of constructing, improving, equipping and furnishing school facilities and improvements. The COPs bear interest rates ranging from 3.0% to 4.0% and the final stated maturity is December 1, 2041.

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

| Fiscal Year Ending June 30, | Classroom Facilities Improvement Refunding Bonds - Series 2010: Current Interest Bonds Principal | Interest | Total | Capital Appreciation Bonds Principal | Interest | Total |
|---|---|---|---|---|---|---|
| 2018 | $ 60,000 | $ 10,020 | $ 70,020 | $ - | $ - | $ - |
| 2019 | 60,000 | 8,280 | 68,280 | - | - | - |
| 2020 | - | 7,410 | 7,410 | 18,642 | 41,358 | 60,000 |
| 2021 | - | 7,410 | 7,410 | 16,357 | 43,643 | 60,000 |
| 2022 | 65,000 | 6,175 | 71,175 | - | - | - |
| 2023 - 2024 | 130,000 | 4,940 | 134,940 | - | - | - |
| Total | $ 315,000 | $ 44,235 | $ 359,235 | $ 34,999 | $ 85,001 | $ 120,000 |

| Fiscal Year Ending June 30, | Certificates of Participation: Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 85,000 | $ 120,350 | $ 205,350 |
| 2019 | 110,000 | 118,400 | 228,400 |
| 2020 | 110,000 | 116,200 | 226,200 |
| 2021 | 115,000 | 113,950 | 228,950 |
| 2022 | 115,000 | 111,650 | 226,650 |
| 2023 - 2027 | 610,000 | 519,463 | 1,129,463 |
| 2028 - 2032 | 700,000 | 424,950 | 1,124,950 |
| 2033 - 2037 | 840,000 | 277,725 | 1,117,725 |
| 2038 - 2042 | 1,020,000 | 97,669 | 1,117,669 |
| Total | $ 3,705,000 | $ 1,900,357 | $ 5,605,357 |

**B.** During fiscal year 2017, the following activity occurred in governmental activities long-term obligations:

| | Balance Outstanding June 30, 2016 | Additions | Reductions | Balance Outstanding June 30, 2017 | Amounts Due in One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Classroom facilities improvement refunding bonds, series 2010 | | | | | |
| Current interest term bonds | $ 375,000 | $ - | $ (60,000) | $ 315,000 | $ 60,000 |
| Capital appreciation bonds (CABs) | 34,999 | - | - | 34,999 | - |
| Accreted interest on CAB's | 36,292 | 9,956 | - | 46,248 | - |
| Certificates of Participation, Series 2017 | - | 3,705,000 | - | 3,705,000 | 85,000 |
| Total long-term obligations, governmental activities | $ 446,291 | $ 3,714,956 | $ (60,000) | $ 4,101,247 | $ 145,000 |

### C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of $4,793,697 (including available funds of $97,860) and an unvoted debt margin of $56,065.

## NOTE 10 - RISK MANAGEMENT

### A. Comprehensive

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 the following insurance coverage:

Coverage provided by Schools of Ohio Risk Sharing Authority.

| | |
|---|---|
| Building and Contents - replacement costs ($500 deductible) | $23,390,570 |
| Commercial Auto Coverage | |
| Liability | 15,000,000 |
| Uninsured/Underinsured Motorist | 1,000,000 |
| Medical Payments | 10,000 |
| General Liability | |
| Bodily Injury and Property Damage | 15,000,000 |
| Products/Completed Operations | 15,000,000 |
| Personal Injury/Advertising Liability | 15,000,000 |
| Annual Aggregate | 17,000,000 |
| Educators' Legal Liability | |
| Each Wrongful Act ($5,000 Deductible) | 15,000,000 |
| Annual Aggregate | 15,000,000 |
| Employee Benefits Liability | 15,000,000 |

### B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 1.C.). The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Medical, Vision, and Dental Insurance**

The District elected to provide medical benefits to employees. The District pays a portion of the medical benefits' high deductible plan for employees. The plan is administered by Anthem and Custom Design Benefits.

The District offered vision and dental benefits to all employees through a self-insurance internal service fund. A comparison of the cash reserves to the actuarially measured liability as of June 30 is as follows:

| | Amount |
|---|---|
| Cash reserves | $ 141,825 |
| Actuarial liabilities | 21,494 |

**NOTE 11 - PENSION PLANS**

***Net Pension Liability***

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 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.

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

Plan Description - The 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<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>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 employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $76,023 for fiscal year 2017.

***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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 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 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS Ohio was $268,362 for fiscal year 2017.

***Net Pension Liability***

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 projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS Ohio | Total |
|---|---|---|---|
| Proportion of the net pension liability prior measurement date | 0.01667110% | 0.01680429% | |
| Proportion of the net pension liability current measurement date | 0.01665800% | 0.01680476% | |
| Change in proportionate share | -0.00001310% | 0.00000047% | |
| Proportionate share of the net pension liability | $ 1,219,212 | $ 5,625,060 | $ 6,844,272 |

***Actuarial Assumptions - SERS***

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

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

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

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

| | |
|---|---|
| Wage inflation | 3.00 percent |
| Future salary increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or ad hoc COLA | 3.00 percent |
| Investment rates of return | 7.50 percent net of investements expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) discount rate was reduced from 7.75% to 7.50%, (b) the assumed rate of inflation was reduced from 3.25% to 3.00%, (c) payroll growth assumption was reduced from 4.00% to 3.50%, (d) assumed real wage growth was reduced from 0.75% to 0.50%, (e) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (f) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (g) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (h) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

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

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

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

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 1,614,161 | $ 1,219,212 | $ 888,623 |

***Actuarial Assumptions - STRS Ohio***

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

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

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

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

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

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

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

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 7,475,247 | $ 5,625,060 | $ 4,064,317 |

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

## NOTE 12 - POSTEMPLOYMENT BENEFITS

### A. School Employees Retirement System

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $8,446, $8,956, and $12,425, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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

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

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

## NOTE 13 - CONTINGENCIES

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as a defendant.

In April 2015, an action was filed in the Seneca County Common Pleas Court with New Riegel Local School as plaintiff. This action was New Riegel Local Schools vs. Buehrer Group Architecture (which has since expanded to include Buehrer Group Architecture & Engineering, Inc; Buehrer Group Architecture and Engineering; and The Estate of Hubert H. Buehrer ("The Estate")). There have since been additional actions filed as New Riegel Local Schools vs. Charles Construction and New Riegel Local Schools vs. Ohio Farmers Insurance Co. as surety for Studer-Obringer ("Ohio Farmers"). These cases are in regards to building defects in the construction of our K-12 school building. While much investigation and legal work has transpired since then, all cases are still pending.

**C. Foundation Funding**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE adjustments for fiscal year 2017 are a total receivable of $701 for the District.

## NOTE 14 - STATUTORY RESERVES

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

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

| | Capital Improvements |
|---|---|
| Set-aside balance June 30, 2016 | $ - |
| Current year set-aside requirement | 67,972 |
| Current year offsets | (75,000) |
| Total | $ (7,028) |
| Balance carried forward to fiscal year 2018 | $ - |
| Set-aside balance June 30, 2017 | $ - |

## NOTE 15 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| Fund | Year-End Encumbrances |
|---|---|
| General | $ 1,824,696 |
| Building | 2,865,243 |
| Nonmajor governmental funds | 79,615 |
| Total | $ 4,769,554 |

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

New Riegel Local School District
Seneca County
44 North Perry Street
New Riegel, Ohio 44853-0207

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Riegel Local School District, Seneca County, Ohio (the District) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2019, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also qualified our opinion because we were unable to obtain sufficient appropriate audit evidence to support claims disbursements in the Remaining Fund Information for 2017 and 2018.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

***District's Response to Findings***

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***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.

Keith Faber
Auditor of State

Columbus, Ohio

April 22, 2019

## FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

### FINDING NUMBER 2018-001

**Noncompliance**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Admin. Code 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumably material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

**Officials' Response:**

The Board feels they are saving the tax payers money by not paying for a GAAP conversion which is required to follow generally accepted accounting principles. We are not planning on changing from reporting OCBOA GASB 34 look alike financial statements.

### FINDING NUMBER 2018-002

**Material Weakness**

**Service Organization Accountability Deficiencies**

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The District has outsourced the processing of vision and dental self insurance claims, which are a significant accounting function, to a third party administrator. Due to deficiencies in internal controls, the District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that self insurance claims have been completely and accurately processed in accordance with the contract between the District and the third party administrator.

In addition, the District did not obtain a Service Organization Controls Type Two report for the current audit period.

U.S. Attestation Standards (clarified) Section 320 (AT-C 320) codifies standards for reporting on an Examination of Controls at service organizations. An unmodified Type Two Report on Management's Description of a Service Organization's System and the Suitability of Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the District with reasonable assurance that self insurance claims processing conform to the contract.

While the Treasurer reviews the amounts paid by the third party administrator and compares them to the related invoices, this does not provide sufficient assurance. Failing to ensure adequate controls are in place and operating effectively could result in errors occurring without detection.

The District should require a Type Two report in its contract with the third-party administrator. The District should review the Type Two report timely, and the report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective State.

**Officials' Response:**

The Board of Education and Administration are requesting our third party administrator (TPA), Custom Design Benefits, to provide us with a Service Organization Controls Type Two report. If they cannot provide this report, the Board will seek out other TPA's who are able to. In searching for a new TPA the Board will also consider a TPA's ability to deliver the level of service comparable to what Custom Design Benefits has provided us.

**NEW RIEGEL LOCAL SCHOOL DISTRICT**
**SENECA COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**JUNE 30, 2018 AND 2017**

| Finding Number | Finding Summary | Status | Additional Information |
|---|---|---|---|
| 2016-001 | Finding was first reported during the audit of the 2007 financial statements. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles. | Not corrected. Repeated in this report as finding 2018-001. | The Board feels they are saving the tax payers money be not paying for a GAAP conversion which is required to follow generally accepted accounting principles. We are not planning on changing from reporting OCBOA GASB 34 look alike financial statements. |
| 2016-002 | Material weakness due to errors over financial reporting. | Partially corrected. Repeated in the management letter. | This was missed during the conversion. The District will post income taxes net of refunds in the future. |

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OHIO AUDITOR OF STATE
KEITH FABER

**NEW RIEGEL LOCAL SCHOOL DISTRICT**

**SENECA 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**
**MAY 14, 2019**

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