NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2018-2017

OHIO AUDITOR OF STATE
KEITH FABER

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

Northeastern Local School District
Defiance County
05751 Domersville Road
Defiance, Ohio 43512-6703

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 Northeastern Local School District, Defiance 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Northeastern Local School District, Defiance County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund 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 February 28, 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

February 28, 2019

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

The management's discussion and analysis of the Northeastern Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018, within the limitations of the District's cash basis of accounting. 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 fiscal year 2018 are as follows:

- The total net cash position of the District increased $23,415,316 due to the issuance of bonds in fiscal year 2018. The District issued $21.15 million in general obligation bonds for the purpose of constructing and improving school facilities throughout the District.

- General cash receipts accounted for $34,233,415 or 93.05% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for $2,556,211 or 6.95% of total cash receipts of $36,789,626.

- The District had $13,374,310 in cash disbursements related to governmental activities; only $2,556,211 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $34,233,415 were adequate to provide for these programs.

- The District's major governmental funds are the General Fund, Building Fund, and Classroom Facilities Fund. The General Fund had $12,916,742 in cash receipts and other financing sources and $11,609,314 in cash disbursements and other financing uses. During fiscal year 2018, the General Fund's cash balance increased from $8,192,168 to $9,499,596.

Using the Basic Financial Statements (BFS)

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 both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund, Building Fund, and Classroom Facilities Fund are presented as major funds.

Reporting the District as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position – cash basis and the statement of activities – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting will take into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The statement of net position – cash basis and the statement of activities – cash basis include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund 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 cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

The statement of net position – cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2018 and 2017.

Net Cash Position

	Governmental Activities 2018	Governmental Activities 2017
Assets		
Current and other assets	$ 32,384,730	$ 8,969,414
Net Cash Position		
Restricted	$ 22,893,071	$ 785,183
Unrestricted	9,491,659	8,184,231
Total net cash position	$ 32,384,730	$ 8,969,414

At June 30, 2018, the District's net cash position was $32,384,730. A portion of this amount, or $22,893,071, represents resources that are subject to external restriction on how they may be used. Of this amount, $21,616,243 is restricted for capital projects. The remaining balance of unrestricted net cash position of $9,491,659 may be used to meet the District's ongoing obligations to its students and creditors.

The following table shows the change in net cash position for fiscal years 2018 and 2017.

Change in Net Cash Position

	Governmental Activities 2018	Governmental Activities 2017
Cash Receipts		
Program cash receipts:		
Charges for services and sales	$ 1,841,416	$ 1,860,595
Operating grants and contributions	714,795	783,342
General cash receipts:		
Property taxes	8,775,152	7,993,489
Payments in lieu of taxes	71,227	36,130
Unrestricted grants and entitlements	3,543,638	3,515,346
Investment earnings	125,274	66,463
Miscellaneous	22,108	70,323
Bond issuance	21,150,000	-
Premium on bond issuance	546,016	-
Total cash receipts	36,789,626	14,325,688

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Change in Net Cash Position - (Continued)

	Governmental Activities 2018	Governmental Activities 2017
Cash Disbursements		
Program disbursements:		
Instruction:		
Regular	$5,248,756	$5,020,327
Special	1,225,144	1,261,214
Vocational	103,094	101,292
Other	766,188	814,497
Support services:		
Pupil	756,830	732,729
Instructional staff	416,728	423,875
Board of education	98,375	109,052
Administration	947,535	939,389
Fiscal	373,607	320,416
Operations and maintenance	863,212	977,036
Pupil transportation	745,939	845,129
Central	50,572	49,011
Food service operations	471,293	477,621
Other non-instructional services	25,444	52,100
Extracurricular activities	349,273	385,563
Facilities acquisition and construction	92,911	267,087
Principal retirement	405,000	78,784
Interest and fiscal charges	83,985	414,942
Bond issuance costs	350,424	-
Total cash disbursements	13,374,310	13,270,064
Change in net cash position	23,415,316	1,055,624
Net cash position at beginning of year	8,969,414	7,913,790
Net cash position at end of year	$ 32,384,730	$ 8,969,414

Governmental Activities

Net cash position of the District's governmental activities increased $23,415,316. Total governmental cash disbursements of $13,374,310 were offset by program cash receipts of $2,556,211 and general cash receipts of $34,233,415. Program cash receipts supported 19.11% of the total governmental disbursements.

The significant increase in cash receipts is primarily due to the issuance of bonds in fiscal year 2018. Property tax receipts also increased as the District began collecting on the levy passed in 2017 to cover the debt payments on the bonds. Other cash receipts for the District remained comparable to prior year levels.

Overall, there were no significant changes in cash disbursements compared to the prior year. Cash disbursements for the District's instructional programs amounted to $7,343,182 or 54.91% of total cash disbursements in fiscal year 2018.

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

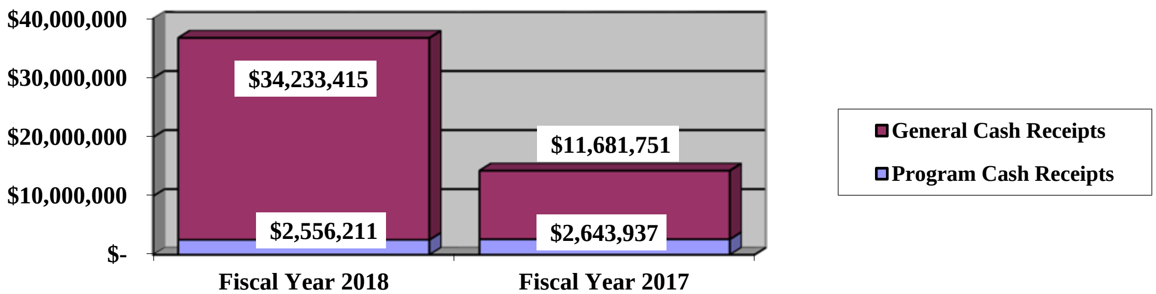
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Cash Disbursements				
Instruction:				
Regular	$ 5,248,756	$ 3,841,975	$ 5,020,327	$ 3,626,422
Special	1,225,144	661,253	1,261,214	673,450
Vocational	103,094	98,372	101,292	96,546
Other	766,188	766,188	814,497	814,497
Support services:				
Pupil	756,830	742,588	732,729	724,520
Instructional staff	416,728	406,143	423,875	414,288
Board of education	98,375	98,375	109,052	109,052
Administration	947,535	947,535	939,389	939,389
Fiscal	373,607	373,607	320,416	320,416
Operations and maintenance	863,212	863,212	977,036	977,036
Pupil transportation	745,939	737,589	845,129	842,400
Central	50,572	41,632	49,011	40,051
Food service operations	471,293	59,061	477,621	15,127
Other non-instructional services	25,444	25,444	52,100	49,184
Extracurricular activities	349,273	222,805	385,563	222,936
Facilities acquisition and construction	92,911	92,911	267,087	267,087
Principal retirement	405,000	405,000	78,784	78,784
Interest and fiscal charges	83,985	83,985	414,942	414,942
Bond issuance costs	350,424	350,424	-	-
Total	$ 13,374,310	$ 10,818,099	$ 13,270,064	$ 10,626,127

The dependence upon general cash receipts for governmental activities is apparent, with 80.89% and 80.08% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2018 and 2017, respectively.

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

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of $32,384,730, compared to last year's combined fund cash balance of $8,969,414. 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 Cash Balance June 30, 2018	Fund Cash Balance June 30, 2017	Increase
General	$ 9,499,596	$ 8,192,168	$ 1,307,428
Building	3,587,254	12,409	3,574,845
Classroom facilities	17,593,965	-	17,593,965
Nonmajor governmental	1,703,915	764,837	939,078
Total	$ 32,384,730	$ 8,969,414	$ 23,415,316

General Fund

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

	2018 Amount	2017 Amount	Increase (Decrease)	Percentage Change
Cash Receipts				
Property taxes	$ 7,583,504	$ 7,479,615	$ 103,889	1.39 %
Payments in lieu of taxes	71,227	36,130	35,097	97.14 %
Tuition and fees	1,379,141	1,342,014	37,127	2.77 %
Earnings on investments	106,464	66,463	40,001	60.19 %
Intergovernmental	3,663,707	3,653,638	10,069	0.28 %
Other receipts	105,327	157,706	(52,379)	(33.21) %
Total	$ 12,909,370	$ 12,735,566	$ 173,804	1.36 %

As the preceding table shows, total cash receipts for the General Fund were comparable to the prior year, increasing $173,804 or 1.36%.

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

	2018 Amount	2017 Amount	Increase (Decrease)	Percentage Change
Cash Disbursements				
Instruction	$ 6,978,551	$ 6,810,557	$ 167,994	2.47 %
Support services	4,202,679	4,371,130	(168,451)	(3.85) %
Operation of non-instructional services	25,444	49,184	(23,740)	(48.27) %
Extracurricular activities	228,947	233,297	(4,350)	(1.86) %
Facilities acquisition and construction	92,911	267,087	(174,176)	(65.21) %
Total	$ 11,528,532	$ 11,731,255	$ (202,723)	(1.73) %

The overall decrease in General Fund cash disbursements is mostly due to additional facilities acquisition and construction disbursements in fiscal year 2017 for the installation of a new air conditioning system at Tinora Elementary School. Other cash disbursements for the General Fund were largely consistent with the prior year.

General Fund Budgeting Highlights

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

For the General Fund, the original and final budget for receipts and other financing sources was $12,060,575. The actual budgetary basis receipts and other financing sources of $12,894,447 exceeded final budget estimates by $833,872 or 6.91%. Significant variances in actual receipts above the final budget include property taxes ($336,404 or 4.64%), tuition ($208,284 or 18.93%), and intergovernmental – state ($153,978 or 4.49%). Property tax receipts increased due to higher collections on both real and personal property taxes. The variances in tuition and intergovernmental – state are primarily due to conservative revenue estimates for tuition from other school districts and the School Foundation allowance from the Ohio Department of Education.

Original budgetary basis disbursements and other financing uses of $13,867,677 were increased slightly to $14,080,677 in the final budget. The actual budgetary basis disbursements and other financing uses of $12,110,017 were $1,970,660 less than the final budget estimates. This variance is primarily due to a conservative "worst case scenario" approach to budgeting for disbursements.

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. The District had facilities acquisition and construction disbursements of $92,911 during fiscal year 2018.

Debt Administration

At June 30, 2018, the District had $24,800,000 in general obligation bonds outstanding. Of the total outstanding debt, $805,000 is due within one year and $23,995,000 is due in more than one year. Additions in fiscal year 2018, consisting of school facilities construction bonds, totaled $21,150,000 and debt retirements totaled $405,000.

See Note 11 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The Northeastern Local School District encompasses approximately 117 square miles in the northeastern corner of Defiance County. It is a rural community with approximately 12,000 residents. In addition to the agricultural base, the District's valuation includes some industrial and commercial businesses which have contributed to the financial stability of the District.

During fiscal year 2018, the District was operating in the first year of the state biennium budget. Under this budget, the District was on the guarantee for state funding. It appears the District will remain on the guarantee for fiscal year 2019 as well. Open enrollment revenue continues to increase as more students from neighboring districts are accepted through open enrollment.

Defiance County went through reappraisal in 2017. As expected, CAUV values went down resulting in a decrease of $9,754,600 in agricultural values. Residential values increased by almost $8 million which offset the agricultural decrease. Public utility personal property valuations were up by over $13.7 million. Voters in the District will be asked to renew a 2.95 mil general operating levy on November 6, 2018. This levy generates approximately $745,000 in tax revenue annually.

On November 7, 2017, voters overwhelmingly approved a bond issue for $21,150,000 to construct a new facility to house students in grades five through twelve. The District is working with the Ohio Facilities Construction Commission on this initiative. Construction is projected to be completed in late 2020. A half–mil permanent improvement levy was included in the request.

Like all school districts in Ohio, the Northeastern Local School District must deal with challenges such as changes to state funding, the long-term effects of public utility deregulation, and the elimination of personal property taxes on business inventory, and legislative decisions over which school administrators and boards of education have no control. The District is currently experiencing local growth and anticipates being able to continue to provide the educational opportunities to which its residents and students are accustomed.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Susan Garmyn, Treasurer, Northeastern Local School District, 05751 Domersville Road, Defiance, Ohio 43512-6703.

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 3,965,073
Investments	28,419,657
Total assets	$ 32,384,730
Net position:	
Restricted for:	
Capital projects	$ 21,616,243
Classroom facilities maintenance	78,887
Debt service	1,084,561
Student activities	73,150
Food service operations	32,293
Facilities maintenance	7,937
Unrestricted	9,491,659
Total net position	$ 32,384,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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	$ 5,248,756	$ 1,341,365	$ 65,416	$ (3,841,975)
Special	1,225,144	119,518	444,373	(661,253)
Vocational	103,094		4,722	(98,372)
Other	766,188			(766,188)
Support services:				
Pupil	756,830		14,242	(742,588)
Instructional staff	416,728		10,585	(406,143)
Board of education	98,375			(98,375)
Administration	947,535			(947,535)
Fiscal	373,607			(373,607)
Operations and maintenance	863,212			(863,212)
Pupil transportation	745,939		8,350	(737,589)
Central	50,572	5,400	3,540	(41,632)
Operation of non-instructional services:				
Food service operations	471,293	252,527	159,705	(59,061)
Other non-instructional services	25,444			(25,444)
Extracurricular activities	349,273	122,606	3,862	(222,805)
Facilities acquisition and construction	92,911			(92,911)
Debt service:				
Principal retirement	405,000			(405,000)
Interest and fiscal charges	83,985			(83,985)
Bond issuance costs	350,424			(350,424)
Total governmental activities	$ 13,374,310	$ 1,841,416	$ 714,795	(10,818,099)

General receipts:	
Property taxes levied for:	
General purposes	7,583,504
Debt service	1,076,122
Capital outlay	35,242
Facilities maintenance	80,284
Payments in lieu of taxes	71,227
Grants and entitlements not restricted to specific programs	3,543,638
Investment earnings	125,274
Miscellaneous	22,108
Bond issuance	21,150,000
Premium on bond issuance	546,016
Total general receipts	34,233,415
Change in net position	23,415,316
Net position at beginning of year	8,969,414
Net position at end of year	$ 32,384,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	General	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	$ 2,248,749	$ 12,409		$ 1,703,915	$ 3,965,073
Investments	7,250,847	3,574,845	$ 17,593,965		28,419,657
Total assets	$ 9,499,596	$ 3,587,254	$ 17,593,965	$ 1,703,915	$ 32,384,730
Fund balances:					
Restricted:					
Debt service				$ 1,084,561	$ 1,084,561
Capital improvements		$ 3,587,254	$ 17,593,965	435,024	21,616,243
Classroom facilities maintenance				78,887	78,887
Food service operations				32,293	32,293
Student activities				73,150	73,150
Facilities maintenance	$ 7,937				7,937
Assigned:					
Student instruction	84,931				84,931
Student and staff support	456,447				456,447
Extracurricular activities	2,432				2,432
Facilities acquisition and construction	7,200				7,200
Subsequent year's appropriations	4,309,595				4,309,595
Unassigned	4,631,054				4,631,054
Total fund balances	$ 9,499,596	$ 3,587,254	$ 17,593,965	$ 1,703,915	$ 32,384,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	General	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:					
From local sources:					
Property taxes	$ 7,583,504			$ 1,191,648	$ 8,775,152
Payment in lieu of taxes	71,227				71,227
Tuition	1,308,284				1,308,284
Earnings on investments	106,464	$ 3,176	$ 15,634		125,274
Charges for services				252,527	252,527
Extracurricular	81,742			122,606	204,348
Classroom materials and fees	70,857				70,857
Contributions and donations	9,547			3,862	13,409
Contract services	5,400				5,400
Other local revenues	8,638			5,114	13,752
Intergovernmental - state	3,582,728			61,776	3,644,504
Intergovernmental - federal	80,979			525,548	606,527
Total receipts	12,909,370	3,176	15,634	2,163,081	15,091,261
Disbursements:					
Current:					
Instruction:					
Regular	5,172,134			76,622	5,248,756
Special	937,135			288,009	1,225,144
Vocational	103,094				103,094
Other	766,188				766,188
Support services:					
Pupil	742,588			14,242	756,830
Instructional staff	406,013			10,715	416,728
Board of education	98,375				98,375
Administration	947,535				947,535
Fiscal	351,985			21,622	373,607
Operations and maintenance	863,212				863,212
Pupil transportation	745,939				745,939
Central	47,032			3,540	50,572
Operation of non-instructional services:					
Food service operations				471,293	471,293
Other non-instructional services.	25,444				25,444
Extracurricular activities	228,947			120,326	349,273
Facilities acquisition and construction	92,911				92,911
Debt service:					
Principal retirement				405,000	405,000
Interest and fiscal charges				83,985	83,985
Bond issuance costs		350,424			350,424
Total disbursements	11,528,532	350,424		1,495,354	13,374,310
Excess of receipts over (under) disbursements	1,380,838	(347,248)	15,634	667,727	1,716,951
Other financing sources (uses):					
Premium on bond issuance		350,424		195,592	546,016
Bond issuance		3,571,669	17,578,331		21,150,000
Proceeds from sale of assets	2,349				2,349
Transfers in				60,708	60,708
Transfers (out)	(60,708)				(60,708)
Advances in	5,023			30,028	35,051
Advances (out)	(20,074)			(14,977)	(35,051)
Total other financing sources (uses)	(73,410)	3,922,093	17,578,331	271,351	21,698,365
Net change in fund balances	1,307,428	3,574,845	17,593,965	939,078	23,415,316
Fund balances at beginning of year	8,192,168	12,409		764,837	8,969,414
Fund balances at end of year	$ 9,499,596	$ 3,587,254	$ 17,593,965	$ 1,703,915	$ 32,384,730

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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
	Original	**Final**	**Actual**	**(Negative)**
Receipts:				
From local sources:				
Property taxes	$ 7,247,100	$ 7,247,100	$ 7,583,504	$ 336,404
Payment in lieu of taxes	30,000	30,000	71,227	41,227
Tuition	1,100,000	1,100,000	1,308,284	208,284
Earnings on investments	65,000	65,000	106,464	41,464
Classroom materials and fees	68,925	68,925	70,857	1,932
Contributions and donations			5,451	5,451
Contract services	5,400	5,400	5,400	
Other local revenues	400	400	8,605	8,205
Intergovernmental - state	3,428,750	3,428,750	3,582,728	153,978
Intergovernmental - federal	70,000	70,000	80,979	10,979
Total receipts	12,015,575	12,015,575	12,823,499	807,924
Disbursements:				
Current:				
Instruction:				
Regular	5,476,696	5,539,696	5,217,166	322,530
Special	1,033,888	1,033,888	965,590	68,298
Vocational	123,400	123,400	103,668	19,732
Other	946,696	946,696	775,828	170,868
Support services:				
Pupil	887,448	894,948	749,675	145,273
Instructional staff	463,457	463,457	408,465	54,992
Board of education	168,103	175,753	137,861	37,892
Administration	963,850	976,300	925,302	50,998
Fiscal	393,793	398,793	356,260	42,533
Operations and maintenance	1,211,517	1,220,017	995,241	224,776
Pupil transportation	971,872	1,089,372	980,259	109,113
Central	551,399	551,399	47,032	504,367
Operation of non-instructional services	38,325	40,225	25,444	14,781
Extracurricular activities	262,291	267,791	231,379	36,412
Facilities acquisition and construction	189,942	189,942	100,111	89,831
Total disbursements	13,682,677	13,911,677	12,019,281	1,892,396
Excess of receipts over (under) disbursements	(1,667,102)	(1,896,102)	804,218	2,700,320
Other financing sources (uses):				
Refund of prior year's expenditures	35,000	35,000	53,622	18,622
Refund of prior year's receipts	(25,000)	(25,000)		25,000
Proceeds from sale of assets			2,349	2,349
Transfers (out)	(35,000)	(61,000)	(60,708)	292
Advances in	10,000	10,000	14,977	4,977
Advances (out)	(25,000)	(35,000)	(30,028)	4,972
Contingencies	(100,000)	(48,000)		48,000
Total other financing sources (uses)	(140,000)	(124,000)	(19,788)	104,212
Net change in fund balance	(1,807,102)	(2,020,102)	784,430	2,804,532
Fund balance at beginning of year	7,747,920	7,747,920	7,747,920	
Prior year encumbrances appropriated	416,236	416,236	416,236	
Fund balance at end of year	$ 6,357,054	$ 6,144,054	$ 8,948,586	$ 2,804,532

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	Private Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and cash equivalents	$ 11,047	$ 40,384
Liabilities:		
Undistributed monies		$ 40,384
Net position:		
Held in trust for scholarships	$ 11,047	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
	Scholarship
Net position at beginning of year	$ 11,047
Net position at end of year	$ 11,047

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

Northeastern Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northeastern Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The Board oversees the operations of the District's three instructional/support facilities which are staffed by 50 noncertified and 77 certified part-time and full-time teaching personnel. The District's average daily membership for the fiscal year ended June 30, 2018 was 1,056 students.

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

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 government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

Northwest Ohio Computer Association
The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with

the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were $103,416. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council
The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located.

The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were $250. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, at 209 Nolan Parkway, Archbold, Ohio 43502.

Four County Career Center
The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center-one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; and one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were $39,871. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northwestern Ohio Educational Research Council, Inc.
The Northwestern Ohio Educational Research Council, Inc. (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 twenty-five county area of 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. Total disbursements made by the District to NOERC during this fiscal year were $280. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

GROUP PURCHASING POOLS

Employee Insurance Benefits Program
The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Plan). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code §9.833. The Plan is a public entity shared risk pool consisting of educational entities throughout the State. The Plan is governed by OHI and its participating members. Total disbursements made by the District to NBHP/OHI for employee insurance benefits during this fiscal

year were $1,213,321. Financial information can be obtained from Northern Buckeye Health Plan/OHI, Charlie LeBoeuf, Treasurer, at 201 East 5th Street, Suite 2100, Cincinnati, Ohio 45202.

Workers' Compensation Group Rating Plan
The District participates in the OHI Charter Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan (NBHP) and the participating members. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. The District did not make any payments to the WCGRP during this fiscal year.

Schools of Ohio Risk Sharing Authority
The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid $67,768 for those services to SORSA during fiscal year 2018.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. SORSA employs an Executive Director and a Member Services Coordinator to administer the pool while claims are processed by Avizent. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235 or by calling 866-767-7299.

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). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in this financial statement. Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

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. The District does not have any proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. 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 – This fund is used to account for the receipts and expenditures related to all special bond funds in the District. Expenditures in this fund represent the costs of acquiring capital facilities including real property.

Classroom Facilities Fund – This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash 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 cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for donated monies restricted to provide college scholarship assistance to District graduates. 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 Ohio High School Athletic Association activities.

C. Basis of Presentation

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

The government-wide statement of activities – cash basis 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. Fiduciary funds are reported by fund type.

D. Budgetary Process

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

1. *Estimated Resources*

The certificate of estimated resources may be amended during the fiscal 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.

2. *Appropriations*

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire 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.

3. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. 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 a federal agency security, a money market mutual fund, negotiable certificates of deposit, commercial paper, U.S. Treasury Obligations, and 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 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 $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. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $106,464, which includes $53,169 assigned from other District 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.

Investments are reported as assets. Accordingly, purchase of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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

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

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

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 8 and 9, 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 Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed.

In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

L. Net Position

Net cash 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 first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. The District did not have any assets restricted by enabling legislation at June 30, 2018.

M. Interfund Activity

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

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/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*", 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 affected the District's postemployment benefit plan disclosures, as presented in Note 9 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 § 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 – 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;

4. 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. Time certificates of deposits or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

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

9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

A. Cash on Hand

At fiscal year end, the District had $100 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was $4,016,404 and the bank balance was $4,108,661. Of the bank balance, $1,250,000 was covered by the FDIC and $2,855,065 was exposed to custodial risk as discussed below because those deposits were uninsured and could be uncollateralized and $3,596 was covered by pledged collateral. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (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 Ohio Pooled Collateral System (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 rate set by the Treasurer of State.

C. Investments

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

			Investment Maturities				
Investment Type	Carrying Value	NAV/ Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC Note	$ 250,382	$ 245,225	$ -	$ -	$ -	$ -	$ 245,225
Negotiable CDs	3,792,210	3,720,393	549,704	350,228	566,655	231,901	2,021,905
Commercial Paper	12,779,425	12,849,620	12,849,620	-	-	-	-
U.S. Treasury Obligations	8,376,029	8,392,785	8,392,785	-	-	-	-
Money Market Mutual Fund	13,356	13,356	13,356	-	-	-	-
STAR Ohio	3,208,255	3,208,255	3,208,255	-	-	-	-
Total	$ 28,419,657	$ 28,429,634	$ 25,013,720	$ 350,228	$ 566,655	$ 231,901	$ 2,267,130

The weighted average maturity of investments is 0.42 years.

Except for STAR Ohio, which is measured at net asset value (NAV), the District's investment in a money market mutual fund is valued using quoted market prices in active markets (Level 1 inputs) while the District's investments in a federal agency security, negotiable CDs, and commercial paper are valued using quoted market prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses 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, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held until maturity. State statute limits investments in commercial paper to a maximum maturity of 270 days from the date of purchase.

Credit Risk: The District's investment in a federal agency security was rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The money market mutual fund and STAR Ohio carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating company. The District's investments in commercial paper were rated A-1+ or A-1 by Standard & Poor's and P-1 by Moody's Investor Services. The District has no investment policy dealing with investment credit risk beyond the requirements in 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 negotiable CDs are covered by FDIC. The federal agency security and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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	Carrying Value	% to Total
FHLMC Note	$ 250,382	0.88
Negotiable CDs	3,792,210	13.34
Commercial Paper	12,779,425	44.97
U.S. Treasury Obligations	8,376,029	29.47
Money Market Mutual Fund	13,356	0.05
STAR Ohio	3,208,255	11.29
Total	$ 28,419,657	100.00

D. Reconciliation of Cash to the Statement of Net Position

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

Cash and Investments per Note	
Carrying amount of deposits	$ 4,016,404
Investments	28,419,657
Cash on hand	100
Total	$ 32,436,161
Cash and Investments per Statement of Net Position	
Governmental Activities	$ 32,384,730
Private Purpose Trust Fund	11,047
Agency Funds	40,384
Total	$ 32,436,161

NOTE 5 – INTERFUND TRANSACTIONS

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

Transfers In	Transfers Out	Amount
Nonmajor governmental funds	General Fund	$ 60,708

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.

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

Advances In	Advances Out	Amount
General Fund	Nonmajor governmental funds	$ 5,023
Nonmajor governmental funds	General Fund	20,074
Nonmajor governmental funds	Nonmajor governmental funds	9,954
		$ 35,051

The purpose of the advances was to cover costs in certain funds where receipts were not received by June 30, or to repay advances received in prior years. These advances are expected to be repaid within the following year when the receipts are received. Advances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes for 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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 real and tangible personal property taxes for 2018 were levied after April 1, 2017, on the assessed values as of December 31, 2016, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Defiance 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 the 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	$ 213,804,130	79.66	$ 214,087,400	75.80
Public utility personal	54,604,880	20.34	68,331,950	24.20
Total	$ 268,409,010	100.00	$ 282,419,350	100.00
Tax rate per $1,000 of assessed valuation	48.15		50.35	

NOTE 7 – 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. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage.

Coverages provided are as follows:

Property Insurance	$ 46,469,630
Equipment Breakdown	300,000
Automobile Liability	15,000,000
Wrongful Acts	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (See Note 1.C). The District pays monthly premiums to the Program for the benefits offered to its employees, which includes health, dental, and vision insurance plans. Monthly premiums for life insurance are paid to American United Life Insurance. Northern Buckeye Health Plan is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, the Program would pay three months of run-off claims.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP) OHI Charter Workers' Compensation Group Rating Plan (WCGRP), an insurance purchasing pool (see Note 1.C). The NBHP WCGRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the WCGRP. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

NOTE 8 – 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.

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 – 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 $197,924 for fiscal year 2018.

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 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 is 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 the fiscal year 2018 ended June 30, the employer rate was 14 percent and plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was $676,407 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	0.04701580%	0.04194967%	
Proportion of the net pension liability current measurement date	0.04422960%	0.04181189%	
Change in proportionate share	-0.00278620%	-0.00013778%	
Proportionate share of the net pension liability	$ 2,642,621	$ 9,932,504	$ 12,575,125

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

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 disabled 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 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 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	$ 3,667,271	$ 2,642,621	$ 1,784,267

Actuarial Assumptions – STRS

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	2.5 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 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' 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 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 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. 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	$ 14,237,907	$ 9,932,504	$ 6,305,848

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System. As of June 30, 2018, three of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 9 – 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 $22,876.

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 $30,207 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 current measurement date	0.04457610%	0.04181189%	
Proportionate share of the net OPEB liability	$ 1,196,305	$ 1,631,346	$ 2,827,651

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	$ 1,444,691	$ 1,196,305	$ 999,521

	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	$ 970,712	$ 1,196,305	$ 1,494,882

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 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 actuarial 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	$ 2,190,055	$ 1,631,346	$ 1,189,782

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,133,389	$ 1,631,346	$ 2,286,715

NOTE 10 – COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 60.75 days for certified employees and 60.50 days for non-certified employees.

NOTE 11 – LONG-TERM OBLIGATIONS

During fiscal year 2018, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2017	Additions	Reductions	Balance Outstanding June 30, 2018	Amounts Due in One Year
Governmental Activities:					
General obligation bonds:					
Series 2015 refunding	$ 4,055,000	$ -	$ (405,000)	$ 3,650,000	$ 415,000
Series 2018A	-	12,540,000	-	12,540,000	200,000
Series 2018B	-	8,610,000	-	8,610,000	190,000
Total Governmental Activities	$ 4,055,000	$ 21,150,000	$ (405,000)	$ 24,800,000	$ 805,000

Series 2015 Refunding General Obligation Bonds
On June 23, 2015, the District issued general obligation bonds to advance refund the outstanding Series 2005 current interest bonds. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a 1.75 mil bonded debt tax levy.

The issuance proceeds of $4,046,950 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). At June 30, 2018, $3,730,000 of defeased debt was outstanding.

This issue is comprised of current interest bonds, par value $4,105,000, bearing an annual interest rate of 2.18%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026.

Series 2018A and 2018B General Obligation Bonds
On March 20, 2018, the District issued the Series 2018A and Series 2018B general obligation bonds to provide resources for school facilities construction, improvement, and renovation, including a new high school, and locally funded initiatives under the Classroom Facilities Assistance Program of the Ohio Facilities Construction Commission. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a 3.95 mil bonded debt tax levy.

The issuances are comprised of current interest serial and term bonds, par value $21,150,000, bearing annual interest rates ranging from 2.0% to 5.0%. Interest payments on the bonds are due on May 1 and November 1 of each year. The final maturity date is November 1, 2054.

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

The Series 2018A term bonds maturing November 1, 3031, November 1, 2035, November 1, 2038, November 1, 2043, November 1, 2048, and November 1, 2054 are subject to mandatory sinking fund redemption prior to stated maturity.

The Series 2018B term bonds maturing November 1, 3033, November 1, 2038, November 1, 2043, November 1, 2048, and November 1, 2054 are subject to mandatory sinking fund redemption prior to stated maturity.

The scheduled payments of principal and interest on debt outstanding at June 30, 2018 are as follows:

Fiscal Year	General Obligation Series 2015 Refunding Current Interest Bonds			General Obligation Series 2018 Current Interest Serial and Term Bonds		
Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2019	$ 415,000	$ 75,047	$ 490,047	$ 390,000	$ 935,032	$ 1,325,032
2020	420,000	65,945	485,945	165,000	832,656	997,656
2021	435,000	56,626	491,626	170,000	827,632	997,632
2022	445,000	47,034	492,034	185,000	821,381	1,006,381
2023	455,000	37,224	492,224	195,000	813,781	1,008,781
2024 - 2028	1,480,000	51,121	1,531,121	1,295,000	3,916,803	5,211,803
2029 - 2033	-	-	-	1,925,000	3,522,031	5,447,031
2034 - 2038	-	-	-	2,660,000	2,971,181	5,631,181
2039 - 2043	-	-	-	3,275,000	2,362,903	5,637,903
2044 - 2048	-	-	-	3,975,000	1,663,016	5,638,016
2049 - 2053	-	-	-	4,755,000	863,731	5,618,731
2054 - 2055	-	-	-	2,160,000	81,750	2,241,750
Total	$ 3,650,000	$ 332,997	$ 3,982,997	$ 21,150,000	$ 19,611,897	$ 40,761,897

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of $1,700,943 (including available funds of $1,084,561) and an unvoted debt margin of $282,404.

NOTE 12 – SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and offsets 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	204,494
Current year qualifying expenditures	(369,981)
Current year offsets	(119,778)
Total	$ (285,265)
Balance carried forward to Fiscal Year 2019	$ -

NOTE 13 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance 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 Change 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 major differences between the budgetary basis and the cash basis are that:

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,

(b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ 784,430
Net adjustment for expenditure accruals	53,622
Net adjustment for other financing sources/uses	(53,622)
Funds budgeted elsewhere	(2,598)
Adjustment for encumbrances	525,596
Cash basis	$ 1,307,428

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Public School Support Fund.

NOTE 14 – OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported 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	$ 531,310
Nonmajor governmental	36,008
Total	$ 567,318

NOTE 15 – CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State 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 General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, FTE adjustment No. 2 was made on December 14, 2018 and resulted in the District being owed $2,529 by ODE. This amount is not recorded in the financial statements.

NOTE 16 – TAX ABATEMENTS

The District is affected by several Enterprise Zone tax abatement agreements between Defiance County and local businesses. The Enterprise Zone Program designates areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. Taxes can be abated up to 100% for up to 12 years. The total amount of abated taxes for the District in fiscal year 2018 was $171,447.

The management's discussion and analysis of the Northeastern Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017, within the limitations of the District's cash basis of accounting. 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 fiscal year 2017 are as follows:

- The total net cash position of the District increased $1,055,624 or 13.34% from fiscal year 2016.

- General cash receipts accounted for $11,681,751 or 81.54% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for $2,643,937 or 18.46% of total cash receipts of $14,325,688.

- The District had $13,270,064 in cash disbursements related to governmental activities; only $2,643,937 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $11,681,751 were adequate to provide for these programs.

- The District's major governmental fund is the General Fund. The General Fund had $12,736,632 in cash receipts and other financing sources and $11,784,309 in cash disbursements and other financing uses. During fiscal year 2017, the General Fund's cash balance increased from $7,239,845 to $8,192,168.

Using the Basic Financial Statements (BFS)

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 both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position – cash basis and the statement of activities – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting will take into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

The statement of net position – cash basis and the statement of activities – cash basis include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund; all other governmental funds are considered non-major.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund 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 cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

The statement of net position – cash basis provides the perspective of the District as a whole. The table below provides a summary of the District's net cash position at June 30, 2017 and 2016.

Net Cash Position

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and other assets	$ 8,969,414	$ 7,913,790
Net Cash Position		
Restricted	$ 785,183	$ 681,749
Unrestricted	8,184,231	7,232,041
Total net cash position	$ 8,969,414	$ 7,913,790

At June 30, 2017, the District's net cash position was $8,969,414. A portion of this amount, or $785,183, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of $8,184,231 may be used to meet the District's ongoing obligations to its students and creditors.

The following table shows the change in net cash position for fiscal years 2017 and 2016.

Change in Net Cash Position

	Governmental Activities 2017	Governmental Activities 2016
Cash Receipts		
Program cash receipts:		
Charges for services and sales	$ 1,860,595	$ 1,765,655
Operating grants and contributions	783,342	734,171
General cash receipts:		
Property taxes	7,993,489	8,031,626
Payments in lieu of taxes	36,130	36,444
Unrestricted grants and entitlements	3,515,346	3,618,018
Investment earnings	66,463	46,339
Miscellaneous	70,323	45,142
Total cash receipts	14,325,688	14,277,395

-continued

Change in Net Cash Position - (Continued)

	Governmental Activities 2017	Governmental Activities 2016
Cash Disbursements		
Program disbursements:		
Instruction:		
Regular	$ 5,020,327	$ 4,869,375
Special	1,261,214	1,071,168
Vocational	101,292	105,650
Other	814,497	788,526
Support services:		
Pupil	732,729	651,528
Instructional staff	423,875	412,988
Board of education	109,052	65,784
Administration	939,389	871,210
Fiscal	320,416	348,510
Operations and maintenance	977,036	922,672
Pupil transportation	845,129	784,509
Central	49,011	50,070
Food service operations	477,621	480,684
Other non-instructional services	52,100	8,725
Extracurricular activities	385,563	344,286
Facilities acquisition and construction	267,087	48,475
Principal retirement	78,784	78,200
Interest and fiscal charges	414,942	400,595
Total cash disbursements	13,270,064	12,302,955
Change in net cash position	1,055,624	1,974,440
Net cash position at beginning of year	7,913,790	5,939,350
Net cash position at end of year	$ 8,969,414	$ 7,913,790

Governmental Activities

Net cash position of the District's governmental activities increased $1,055,624. Total governmental cash disbursements of $13,270,064 were offset by program cash receipts of $2,643,937 and general cash receipts of $11,681,751. Program cash receipts supported 19.92% of the total governmental disbursements.

Overall, cash receipts remained steady in fiscal year 2017, increasing 0.34% compared to the prior year. The increase in charges for services and sales is primarily related to special education tuition receipts from other districts. Despite an increase in the District's State Foundation allowance, total unrestricted grants and entitlements decreased as a result of tangible personal property tax reimbursements from the State, which fell from about $249,000 in 2016 to $28,000 in 2017.

Total cash disbursements increased $967,109 or 7.86%. The increase can be attributed to: a) higher salaries and wages and employee benefits such as health insurance and pension contributions; b) additional purchased services from the Northwest Ohio Educational Service Center; c) purchases of instructional supplies and textbooks; and d) the installation of a new air conditioning system at the Tinora Elementary School.

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

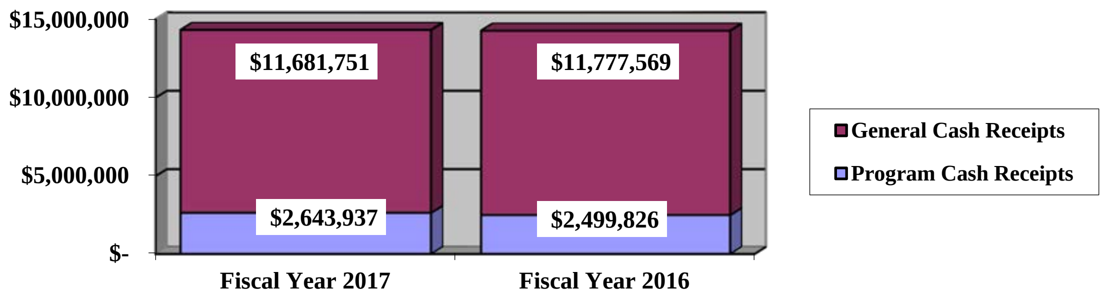
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program Cash Disbursements				
Instruction:				
Regular	$ 5,020,327	$ 3,626,422	$ 4,869,375	$ 3,473,294
Special	1,261,214	673,450	1,071,168	554,911
Vocational	101,292	96,546	105,650	101,974
Other	814,497	814,497	788,526	788,526
Support services:				
Pupil	732,729	724,520	651,528	648,410
Instructional staff	423,875	414,288	412,988	411,234
Board of education	109,052	109,052	65,784	65,784
Administration	939,389	939,389	871,210	871,210
Fiscal	320,416	320,416	348,510	348,510
Operations and maintenance	977,036	977,036	922,672	922,672
Pupil transportation	845,129	842,400	784,509	780,812
Central	49,011	40,051	50,070	44,670
Food service operations	477,621	15,127	480,684	56,584
Other non-instructional services	52,100	49,184	8,725	6,670
Extracurricular activities	385,563	222,936	344,286	200,598
Facilities acquisition and construction	267,087	267,087	48,475	48,475
Principal retirement	78,784	78,784	78,200	78,200
Interest and fiscal charges	414,942	414,942	400,595	400,595
Total	$ 13,270,064	$ 10,626,127	$ 12,302,955	$ 9,803,129

The dependence upon general cash receipts for governmental activities is apparent, with 80.08% and 79.68% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2017 and 2016, respectively.

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

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of $8,969,414, compared to last year's combined fund cash balance of $7,913,790. 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 Cash Balance June 30, 2017	Fund Cash Balance June 30, 2016	Increase
General	$ 8,192,168	$ 7,239,845	$ 952,323
Nonmajor governmental	777,246	673,945	103,301
Total	$ 8,969,414	$ 7,913,790	$ 1,055,624

General Fund

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

	2017 Amount	2016 Amount	Increase (Decrease)	Percentage Change
Cash Receipts				
Property taxes	$ 7,479,615	$ 7,480,207	$ (592)	(0.01) %
Payments in lieu of taxes	36,130	36,444	(314)	(0.86) %
Tuition and fees	1,342,014	1,280,922	61,092	4.77 %
Earnings on investments	66,463	46,339	20,124	43.43 %
Intergovernmental	3,653,638	3,753,541	(99,903)	(2.66) %
Other receipts	157,706	124,096	33,610	27.08 %
Total	$ 12,735,566	$ 12,721,549	$ 14,017	0.11 %

As the preceding table shows, total cash receipts for the General Fund were steady, showing virtually no change compared to the prior year. The District's State Foundation allowance increased in 2017; however, this was offset by a larger decrease in tangible personal property tax reimbursements from the State leading to an overall decrease in intergovernmental cash receipts. This net decrease was offset by increases in special education tuition received from other school districts, earnings on investments and other miscellaneous receipts.

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

	2017 Amount	2016 Amount	Increase (Decrease)	Percentage Change
Cash Disbursements				
Instruction	$ 6,810,557	$ 6,446,106	$ 364,451	5.65 %
Support services	4,371,130	4,095,441	275,689	6.73 %
Operation of non-instructional services	49,184	8,725	40,459	463.71 %
Extracurricular activities	233,297	232,574	723	0.31 %
Facilities acquisition and construction	267,087	48,475	218,612	450.98 %
Total	$ 11,731,255	$ 10,831,321	$ 899,934	8.31 %

The employee wages and benefits increases are primarily reflected in the instruction and support services disbursements, and the air conditioning installation is reported as facilities acquisition and construction.

General Fund Budgeting Highlights

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

For the General Fund, the original and final budget for receipts was $12,468,700. The actual budgetary basis receipts and other financing sources of $12,696,870 exceeded final budget estimates by $228,170 or 1.83%.

Original budgetary basis disbursements and other financing uses of $13,129,570 were increased slightly to $13,417,345 in the final budget. The actual budgetary basis disbursements and other financing uses of $12,157,581 were $1,259,764 less than the final budget estimates. This variance is primarily due to a conservative "worst case scenario" approach to budgeting for disbursements.

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. The District had facilities acquisition and construction disbursements of $267,087 during fiscal year 2017.

Debt Administration

At June 30, 2017, the District had $4,055,000 in general obligation bonds outstanding. Of the total outstanding debt, $405,000 is due within one year and $3,650,000 is due in more than one year. Additions in fiscal year 2017, consisting of accreted interest on general obligation capital appreciation bonds, totaled $27,185 and debt retirements totaled $405,000.

See Note 11 in the notes to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The Northeastern Local School District encompasses approximately 117 square miles in the northeastern corner of Defiance County. It is a rural community with approximately 12,000 residents. In addition to the agricultural base, the District's valuation includes some industrial and commercial businesses which have contributed to the financial stability of the District.

During fiscal year (FY) 2017, the District was operating in the second year of the state biennium budget. Under the new biennium budget, preliminary projections indicate that the District will receive the same amount of state foundation funding in FY 2018 and FY 2019 as in FY 2017. Open enrollment revenue continues to increase as more students from neighboring districts are accepted through open enrollment.

FY 2017 was the last year that the District received tangible personal property tax reimbursement. The amount of reimbursement received in FY 2017 was $28,237. This reimbursement was as high as $465,538 in FY 2014 and FY 2015 but, the phase-out of this reimbursement has resulted in a loss of revenue for the District.

Defiance County is going through reappraisal in 2017. CAUV values are projected to decrease by as much as thirty percent. Agricultural real estate valuation in the District accounts for just over twenty-seven percent of the District's total valuation. During taxable year 2016, there was a substantial decrease in the valuation of Public Utility Personal Property of almost 9.4 million dollars. On November 8, 2016, voters in the District approved the renewal of a 9.9 mil general operating levy. This levy generates approximately $2,243,679 in tax revenue annually and is essential to the financial health of the District.

The District is currently working with the Ohio Facilities Construction Commission to build a new 96,000 square foot building to house students in grades five through twelve. On November 8, 2017, voters will be asked to approve a bond issue to generate $21,150,000 for this initiative. Construction is projected to be completed in late 2020. A half-mil permanent improvement levy will also be included in the request.

Like all school districts in Ohio, the Northeastern Local School District is faced with financial challenges such as changes to state funding, the long-term effects of public utility deregulation, and the elimination of personal property taxes on business inventory. But, in light of these challenges, the District anticipates being able to continue to provide the educational opportunities to which its residents and students are accustomed.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Susan Garmyn, Treasurer, Northeastern Local School District, 05751 Domersville Road, Defiance, Ohio 43512-6703.

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	$ 3,739,836
Investments	5,229,578
Total assets	$ 8,969,414
Net position:	
Restricted for:	
Capital projects	$ 408,634
Debt service	271,038
Federally funded programs	1,494
Student activities	66,036
Food service operations	30,044
Facilities maintenance	7,937
Unrestricted	8,184,231
Total net position	$ 8,969,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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	$ 5,020,327	$ 1,306,336	$ 87,569	$ (3,626,422)
Special	1,261,214	119,518	468,246	(673,450)
Vocational	101,292		4,746	(96,546)
Other	814,497			(814,497)
Support services:				
Pupil	732,729		8,209	(724,520)
Instructional staff	423,875		9,587	(414,288)
Board of education	109,052			(109,052)
Administration	939,389			(939,389)
Fiscal	320,416			(320,416)
Operations and maintenance	977,036			(977,036)
Pupil transportation	845,129		2,729	(842,400)
Central	49,011	5,400	3,560	(40,051)
Operation of non-instructional services:				
Food service operations	477,621	269,261	193,233	(15,127)
Other non-instructional services	52,100		2,916	(49,184)
Extracurricular activities	385,563	160,080	2,547	(222,936)
Facilities acquisition and construction	267,087			(267,087)
Debt service:				
Principal retirement	78,784			(78,784)
Interest and fiscal charges	414,942			(414,942)
Total governmental activities	$ 13,270,064	$ 1,860,595	$ 783,342	(10,626,127)

General receipts:	
Property taxes levied for:	
General purposes	7,479,615
Debt servic	427,301
Capital outlay	86,573
Payments in lieu of taxes	36,130
Grants and entitlements not restricted to specific programs	3,515,346
Investment earnings	66,463
Miscellaneous	70,323
Total general receipts	11,681,751
Change in net position	1,055,624
Net position at beginning of year	7,913,790
Net position at end of year	$ 8,969,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	$ 2,962,590	$ 777,246	$ 3,739,836
Investments	5,229,578		5,229,578
Total assets	$ 8,192,168	$ 777,246	$ 8,969,414
Fund balances:			
Restricted:			
Debt service		$ 271,038	$ 271,038
Capital improvements		408,634	408,634
Food service operations		30,044	30,044
Targeted academic assistance		1,494	1,494
Student activities		66,036	66,036
Facilities maintenance	$ 7,937		7,937
Assigned:			
Student instruction	75,606		75,606
Student and staff support	299,200		299,200
Facilities acquisition and construction	69,442		69,442
Subsequent year's appropriations	1,254,600		1,254,600
Unassigned	6,485,383		6,485,383
Total fund balances	$ 8,192,168	$ 777,246	$ 8,969,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Receipts:			
From local sources:			
Property taxes	$ 7,479,615	$ 513,874	$ 7,993,489
Payment in lieu of taxes	36,130		36,130
Tuition	1,274,546		1,274,546
Earnings on investments	66,463		66,463
Charges for services		269,261	269,261
Extracurricular	83,840	160,080	243,920
Classroom materials and fees	67,468		67,468
Rental income	250		250
Contributions and donations	17,733	2,547	20,280
Contract services	5,400		5,400
Other local revenues	50,483	4,351	54,834
Intergovernmental - state	3,578,221	56,793	3,635,014
Intergovernmental - federal	75,417	582,150	657,567
Total receipts	12,735,566	1,589,056	14,324,622
Disbursements:			
Current:			
Instruction:			
Regular	4,929,112	91,215	5,020,327
Special	965,656	295,558	1,261,214
Vocational	101,292		101,292
Other	814,497		814,497
Support services:			
Pupil	724,520	8,209	732,729
Instructional staff	414,172	9,703	423,875
Board of education	109,052		109,052
Administration	939,389		939,389
Fiscal	316,381	4,035	320,416
Operations and maintenance	977,036		977,036
Pupil transportation	845,129		845,129
Central	45,451	3,560	49,011
Operation of non-instructional services:			
Food service operations		477,621	477,621
Other non-instructional services	49,184	2,916	52,100
Extracurricular activities	233,297	152,266	385,563
Facilities acquisition and construction	267,087		267,087
Debt service:			
Principal retirement		78,784	78,784
Interest and fiscal charges		414,942	414,942
Total disbursements	11,731,255	1,538,809	13,270,064
Excess of receipts over disbursements	1,004,311	50,247	1,054,558
Other financing sources (uses):			
Proceeds from sale of assets	1,066		1,066
Transfers in		43,054	43,054
Transfers (out)	(43,054)		(43,054)
Advances in		10,000	10,000
Advances (out)	(10,000)		(10,000)
Total other financing sources (uses)	(51,988)	53,054	1,066
Net change in fund balances	952,323	103,301	1,055,624
Fund balances at beginning of year	7,239,845	673,945	7,913,790
Fund balances at end of year	$ 8,192,168	$ 777,246	$ 8,969,414

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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 Positive
	Original	**Final**	**Actual**	**(Negative)**
Receipts:				
From local sources:				
Property taxes	$ 7,479,000	$ 7,479,000	$ 7,479,615	$ 615
Payment in lieu of taxes	35,000	35,000	36,130	1,130
Tuition	1,150,000	1,150,000	1,274,546	124,546
Earnings on investments	43,500	43,500	66,463	22,963
Classroom materials and fees	41,900	41,900	67,468	25,568
Rental income			250	250
Contributions and donations			17,733	17,733
Contract services			5,400	5,400
Other local revenues	2,000	2,000	50,393	48,393
Intergovernmental - state	3,667,300	3,667,300	3,578,221	(89,079)
Intergovernmental - federal	50,000	50,000	75,417	25,417
Total receipts	12,468,700	12,468,700	12,651,636	182,936
Disbursements:				
Current:				
Instruction:				
Regular	5,074,547	5,190,622	4,975,979	214,643
Special	961,990	1,036,990	973,394	63,596
Vocational	121,300	123,025	101,692	21,333
Other	888,027	888,027	823,593	64,434
Support services:				
Pupil	729,721	743,321	725,168	18,153
Instructional staff	436,595	483,595	429,479	54,116
Board of education	128,638	143,638	121,255	22,383
Administration	807,688	946,813	915,380	31,433
Fiscal	452,421	453,421	317,524	135,897
Operations and maintenance	1,271,153	1,293,153	1,106,827	186,326
Pupil transportation	1,079,035	1,110,435	948,376	162,059
Central	548,000	198,500	46,850	151,650
Operation of non-instructional services	58,575	60,925	49,184	11,741
Extracurricular activities	269,830	272,830	233,297	39,533
Facilities acquisition and construction	127,050	372,050	336,529	35,521
Total disbursements	12,954,570	13,317,345	12,104,527	1,212,818
Excess of receipts over (under) disbursements	(485,870)	(848,645)	547,109	1,395,754
Other financing sources (uses):				
Refund of prior year's expenditures			44,168	44,168
Refund of prior year's receipts	(25,000)			
Proceeds from sale of assets			1,066	1,066
Transfers (out)	(50,000)	(50,000)	(43,054)	6,946
Advances (out)	(50,000)	(50,000)	(10,000)	40,000
Contingencies	(50,000)			
Total other financing sources (uses)	(175,000)	(100,000)	(7,820)	92,180
Net change in fund balance	(660,870)	(948,645)	539,289	1,487,934
Fund balance at beginning of year	6,765,953	6,765,953	6,765,953	
Prior year encumbrances appropriated	442,678	442,678	442,678	
Fund balance at end of year	$ 6,547,761	$ 6,259,986	$ 7,747,920	$ 1,487,934

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	Private Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and cash equivalents	$ 11,047	$ 43,890
Liabilities:		
Undistributed monies		$ 43,890
Net position:		
Held in trust for scholarships	$ 11,047	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY, OHIO

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

	Private Purpose Trust
	Scholarship
Net position at beginning of year	$ 11,047
Net position at end of year	$ 11,047

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

Northeastern Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northeastern Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The Board oversees the operations of the District's three instructional/support facilities which are staffed by 50 noncertified and 77 certified part-time and full-time teaching personnel. The District's average daily membership for the fiscal year ended June 30, 2017 was 1,061 students.

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

A. Primary Government

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

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 government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

Northwest Ohio Computer Association
The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with

the aid of computers and other electronic equipment to administrative and instructional functions among member educational entity.

The NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elected the Council. NWOCA is governed by a Council chosen from two representatives from each of the six counties in which the member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. All payments made by the District for services rendered are made to the Northern Buckeye Education Council. Total disbursements made by the District to NWOCA during this fiscal year were $102,330 for various services. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council
The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located.

The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were $250. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, at 209 Nolan Parkway, Archbold, Ohio 43502.

Four County Career Center
The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Four County Career Center possesses its own budgeting and taxing authority. Total disbursements made by the District to the Four County Career Center during this fiscal year were $39,974. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

Northwestern Ohio Educational Research Council, Inc.
The Northwestern Ohio Educational Research Council, Inc. (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 twenty-five county area of 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. Total disbursments made by the District to NOERC during this fiscal year were $200. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

GROUP PURCHASING POOLS

Employee Insurance Benefits Program
The District participates in a group health insurance pool through the Northern Buckeye Health Plan

(NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Plan). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code §9.833. The Plan is a public entity shared risk pool consisting of educational entities throughout the State. The Plan is governed by OHI and its participating members. Total disbursements made by the District to NBHP/OHI for employee insurance benefits during this fiscal year were $1,199,749. Financial information can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

<u>Workers' Compensation Group Rating Plan</u>
The District participates in the OHI Charter Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan (NBHP) and the participating members. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

NBHP has retained Sheakley Uniservice as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. The District did not make any payments to the WCGRP during this fiscal year.

<u>Schools of Ohio Risk Sharing Authority</u>
The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid $70,922 for those services to SORSA during fiscal year 2017.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. SORSA employs an Executive Director and a Member Services Coordinator to administer the pool while claims are processed by Avizent. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235 or by calling 866-767-7299.

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). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

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. The District does not have any proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The General Fund is the District's only major governmental fund.

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.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash 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 cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for donated monies restricted to provide college scholarship assistance to District graduates. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities and OHSAA tournament monies.

C. Basis of Presentation

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

The government-wide statement of activities – cash basis 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. Fiduciary funds are reported by fund type.

D. Budgetary Process

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

1. *Estimated Resources*

The certificate of estimated resources may be amended during the fiscal 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.

2. *Appropriations*

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire 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.

3. *Encumbrances*

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. 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 a federal agency security, a money market mutual fund, negotiable certificates of deposit, and 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 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. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to $66,463, which includes $6,286 assigned from other District 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 fiscal year-end is provided in Note 4.

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

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

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 8 and 9, 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

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

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

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

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

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

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

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

L. Net Position

Net cash 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 first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. The District did not have any assets restricted by enabling legislation at June 30, 2017.

M. Interfund Activity

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

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. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 16); however, there was no effect on beginning net position/fund balance.

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 § 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 – 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. Time certificates of deposits or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

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

9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had $100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was $3,794,673. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, $2,894,302 of the District's bank balance of $3,885,909 was exposed to custodial risk as discussed below, while $987,065 was covered by the FDIC and $4,542 was covered by pledged collateral.

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

C. Investments

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

			Investment Maturities				
Investment Type	Balance at Carrying Value	Balance at Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC Note	$ 250,382	$ 247,540	$ -	$ -	$ -	$ -	$ 247,540
Negotiable CDs	3,302,792	3,293,116	65,011	249,945	552,213	354,692	2,071,255
STAR Ohio	1,675,803	1,675,803	1,675,803	-	-	-	-
Money Market Mutual Fund	601	601	601	-	-	-	-
Total	$ 5,229,578	$ 5,217,060	$ 1,741,415	$ 249,945	$ 552,213	$ 354,692	$ 2,318,795

The weighted average maturity of investments is 1.70 years.

Interest Rate Risk: Interest rate risk is the risk potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses 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, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held until maturity.

Credit Risk: The money market mutual fund and STAR Ohio carry a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating company. The District's investment in a federal agency security was rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District has no investment policy dealing with investment credit risk beyond the requirements in 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 negotiable CDs are covered by FDIC. The federal agency security is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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	Carrying Value	% to Total
FHLMC Note	$ 250,382	4.79
Negotiable CDs	3,302,792	63.16
STAR Ohio	1,675,803	32.04
Money Market Mutual Fund	601	0.01
Total	$ 5,229,578	100.00

D. Reconciliation of Cash to the Statement of Net Position

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

Cash and Investments per Note	
Carrying amount of deposits	$ 3,794,673
Investments	5,229,578
Cash on hand	100
Total	$ 9,024,351

Cash and Investments per Statement of Net Position	
Governmental Activities	$ 8,969,414
Private Purpose Trust Fund	11,047
Agency Funds	43,890
Total	$ 9,024,351

NOTE 5 – INTERFUND TRANSACTIONS

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

Transfers In	Transfers Out	Amount
Nonmajor governmental funds	General Fund	$ 43,054

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.

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

Advances In	Advances Out	Amount
Nonmajor governmental funds	General Fund	$ 10,000

The purpose of the advances was to cover costs in certain funds where receipts were not received by June 30. These advances are expected to be repaid within the following year when the receipts are received. Advances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real and public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes for 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 real and tangible personal property taxes for 2017 were levied after April 1, 2016, on the assessed values as of December 31, 2015, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Defiance 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 the 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	$ 212,673,070	76.87	$ 213,804,130	79.66
Public utility personal	64,002,210	23.13	54,604,880	20.34
Total	$ 276,675,280	100.00	$ 268,409,010	100.00
Tax rate per $1,000 of assessed valuation	46.35		48.15	

NOTE 7 – 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. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage.

Coverages provided are as follows:

Property Insurance	$ 46,469,630
Equipment Breakdown	300,000
Automobile Liability	15,000,000
Wrongful Acts	15,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative (OHI) Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities (See Note 1.C). The District pays monthly premiums to OHI for the benefits offered to its employees, which includes health, dental, vision, and life insurance plans. Northern Buckeye Health Plan is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan (NBHP) OHI Charter Workers' Compensation Group Rating Plan (WCGRP), an insurance purchasing pool (see Note 1.C). The NBHP WCGRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the WCGRP. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

NOTE 8 – DEFINED PENSION BENEFIT 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.

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 – 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 after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The District's contractually required contribution to SERS was $207,606 for fiscal year 2017.

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 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 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 was $643,539 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	0.04638350%	0.04132760%	
Proportion of the net pension liability current measurement date	0.04701580%	0.04194967%	
Change in proportionate share	0.00063230%	0.00062207%	
Proportionate share of the net pension liability	$ 3,441,123	$ 14,041,819	$ 17,482,942

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 rate of return	7.50 percent net of investments 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 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25 percent to 3.00 percent, (b) payroll growth assumption was reduced from 4.00 percent to 3.50 percent, (c) assumed real wage growth was reduced from 0.75 percent to 0.50 percent, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates and (g) mortality among disable member was updated to 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 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	$ 4,555,832	$ 3,441,123	$ 2,508,065

Actuarial Assumptions – STRS

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

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

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

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

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 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 %	

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

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions 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	$ 18,660,437	$ 14,041,819	$ 10,145,743

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 percent from 7.75 percent 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.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System. As of June 30, 2017, three of the Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 9 – POSTEMPLOYMENT BENEFITS

A. 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 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. For fiscal year 2017, the District's surcharge obligation was $22,801.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were $22,801, $23,208, and $37,385, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio (STRS)

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which may be obtained by visiting www.strsoh.org, under *"Publications"* or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the 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 did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 10 – COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 60.5 days for certified employees and 60.25 days for non-certified employees.

NOTE 11 – LONG-TERM OBLIGATIONS

During fiscal year 2017, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2016	Additions	Reductions	Balance Outstanding June 30, 2017	Amounts Due in One Year
Governmental Activities:					
General obligation bonds:					
Series 2005					
Capital appreciation bonds	$ 48,784	$ -	$ (48,784)	$ -	$ -
Accreted interest	299,031	27,185	(326,216)	-	-
Series 2015 refunding					
Current interest bonds	4,085,000	-	(30,000)	4,055,000	405,000
Total Governmental Activities	$ 4,432,815	$ 27,185	$ (405,000)	$ 4,055,000	$ 405,000

Series 2005 General Obligation Bonds
The general obligation bonds were issued on May 11, 2005 for the purpose of school improvement refunding bonds. The issue was comprised of $4,965,000 in current interest bonds and $289,990 capital appreciation bonds.

Series 2015 Refunding General Obligation Bonds
On June 23, 2015, the District issued general obligation bonds to advance refund the outstanding Series 2005 current interest bonds. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a 4.14 mil bonded debt tax levy.

The issuance proceeds of $4,046,950 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance). At June 30, 2017, $4,105,000 of defeased debt was outstanding.

This issue is comprised of current interest bonds, par value $4,105,000, bearing an annual interest rate of 2.18%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2026.

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

Fiscal Year Ending June 30	General Obligation Current Interest Bonds Principal	Interest	Total
2018	$ 405,000	$ 83,985	$ 488,985
2019	415,000	75,047	490,047
2020	420,000	65,945	485,945
2021	435,000	56,626	491,626
2022	445,000	47,034	492,034
2023 - 2027	1,935,000	88,346	2,023,346
Total	$ 4,055,000	$ 416,983	$ 4,471,983

Legal Debt Margin
The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted

indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of $20,371,245 (including available funds of $271,038) and an unvoted debt margin of $268,391.

NOTE 12 – SET-ASIDES

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures and offsets 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	200,093
Current year qualifying expenditures	(608,690)
Current year offsets	(92,668)
Total	$ (501,265)
Balance carried forward to Fiscal Year 2018	$ -

NOTE 13 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance 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 Change 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 major differences between the budgetary basis and the cash basis are that:

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and

(b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ 539,289
Net adjustment for expenditure accruals	44,168
Net adjustment for other financing sources/uses	(44,168)
Funds budgeted elsewhere	(3,202)
Adjustment for encumbrances	416,236
Cash basis	$ 952,323

Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Uniform School Supplies Fund and Public School Support Fund.

NOTE 14 – OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported 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	$ 424,266
Nonmajor governmental	11,985
Total	$ 436,251

NOTE 15 – CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State 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 General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. School District Funding

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

NOTE 16 – TAX ABATEMENTS

The District is affected by several Enterprise Zone tax abatement agreements between Defiance County and local businesses. The Enterprise Zone Program designates areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. Taxes can be abated up to 100% for up to 12 years. The total amount of abated taxes for the District in fiscal year 2017 was $157,533.

NOTE 17 – SUBSEQUENT EVENTS

On November 7, 2017, the voters of the District approved a bond issue for $21,150,000 to construct a new facility to house students in grades five through twelve.

OHIO AUDITOR OF STATE
KEITH FABER

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

Northeastern Local School District
Defiance County
05751 Domersville Road
Defiance, Ohio 43512-6703

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 Northeastern Local School District, Defiance 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 February 28, 2019, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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 Finding

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

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

February 28, 2019

NORTHEASTERN LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance Citation

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 prepare its annual financial report in accordance with 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:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more efficient.

Northeastern Local School District

MICHAEL BOFF
Board Member

LAURA FLORY
Board Member

JOHN HIGBEA
Board Member

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JAMES C. ROACH
Superintendent

KENNETH G. KELLER
Board Member

ERIC WIEMKEN
Board Member

SUSAN GARMYN
Treasurer

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

Finding Number	Finding Summary	Status	Additional Information
2016-001	This finding was first reported in 2008. Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and reissued as finding 2018-001 in this report.	This finding reoccurred since management believes reporting on a basis other than generally accepted accounting principles (GAAP) is more cost efficient.

OHIO AUDITOR OF STATE
KEITH FABER

NORTHEASTERN LOCAL SCHOOL DISTRICT

DEFIANCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 19, 2019