PERRY & Associates

Certified Public Accountants, A.C.

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
Single Audit
For the Fiscal Year Ended June 30, 2018

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Vienna, WV 26105
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OHIO AUDITOR OF STATE
KEITH FABER

Board of Education
Southern Local School District
106 Broadway Street Ste 1
Racine, Ohio 45771

We have reviewed the *Independent Auditor's Report* of the Southern Local School District, Meigs County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southern Local School District is responsible for compliance with these laws and regulations.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 5, 2019

88 East Broad Street, Columbus, Ohio 43215
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SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY

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INDEPENDENT AUDITOR'S REPORT

December 26, 2018

Southern Local School District
Meigs County
106 Broadway Street, Suite 1
Racine, OH 45771

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Southern Local School District**, Meigs County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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.

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Southern Local School District, Meigs County, Ohio, as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018 the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

The discussion and analysis of the Southern Local School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows of Southern Local School District exceeded its liabilities and deferred inflows at June 30, 2018 by $12,098,646. Of this amount, $15,123,954 represents net investment in capital assets and net position amounts restricted for specific purposes. The remaining deficit of $3,025,308 represents unrestricted net position.

- In total, net position of governmental activities increased by $5,512,479 which represents a 83.70 percent increase from 2017.

- General revenues accounted for $9,285,740, or 80.12 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $2,304,326 or 19.88 percent of total revenues of $11,590,066.

- The District had $6,077,587 in expenses related to governmental activities; only $2,304,326 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of $9,285,740 were used to provide for the remainder of these programs.

- The District recognizes two major governmental funds: the General Fund and Bond Retirement Fund. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had $9,180,026 in revenues and $7,541,162 in expenditures in fiscal year 2018.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Southern Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look as the District's most significant funds with all other non-major funds presented in total in one column.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the District to provide programs and activities for students, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the District's programs and services are reported as governmental activities including instructional services, support services, operation of non-instructional services, bond service operations and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 12. 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 is the General Fund and Bond Retirement Fund.

Governmental Funds

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

Proprietary Fund

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The District's only one fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the District's programs. The District uses the accrual basis of accounting to report its fiduciary funds.

The School District as a Whole

Recall that the statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to fiscal year 2017:

Table 1
Net Position at Year End

	Governmental Activities		
	2018	Restated 2017	Change
Assets:			
Current and Other Assets	$8,698,570	$7,010,419	$1,688,151
Capital Assets, Net	17,947,141	18,878,042	(930,901)
Total Assets	26,645,711	25,888,461	757,250
Deferred Outflows of Resources:			
Deferred Charge on Refunding	22,676	0	22,676
Pension	2,373,478	2,060,001	313,477
OPEB	80,577	16,855	63,722
Total Deferred Outflows of Resources	2,476,731	2,076,856	399,875
Liabilities:			
Current and Other Liabilities	900,896	1,079,478	(178,582)
Long-Term Liabilities:			
Due Within One Year	412,818	285,942	126,876
Due in More Than One Year:			
Net Pension Liability	8,098,377	11,294,095	(3,195,718)
Net OPEB Liability	1,869,215	2,301,772	(432,557)
Other Amounts	4,902,772	5,461,484	(558,712)
Total Liabilities	16,184,078	20,422,771	(4,238,693)
Deferred Inflows of Resources:			
Property Taxes	180,662	910,088	(729,426)
Pension	450,324	46,291	404,033
OPEB	208,732	0	208,732
Total Deferred Inflows of Resources	839,718	956,379	(116,661)
Net Position:			
Net Investment in Capital Assets	12,977,927	13,744,424	(766,497)
Restricted	2,146,027	1,123,381	1,022,646
Unrestricted	(3,025,308)	(8,281,638)	5,256,330
Total Net Position	$12,098,646	$6,586,167	$5,512,479

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $9,165,627 to $6,586,167.

Current and other assets increased $1,688,151 from fiscal year 2018 due primarily to an increase in cash and cash equivalents which is the result of revenues exceeding expenses. Capital assets decreased by $930,901, due to current year depreciation exceeding capital asset additions.

Current (other) liabilities decreased by $178,582 or 16.54 percent, due primarily to a decrease in claims payable.

Long-term liabilities decreased by $4,060,111 or 20.99 percent, due primarily to the decrease in net pension and OPEB liabilities due to actuarial measurements done by the retirement systems. Additional information can be found in Notes 11 and 12.

The District's largest portion of net position is related to amounts of net investment in capital assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's smallest portion of net position is unrestricted, and carries a deficit balance of $3,025,308. Unrestricted net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of $2,146,027 is restricted net position. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2018 and provides a comparison to fiscal year 2017.

Table 2
Changes In Net Position (Continued)

	Governmental Activities		
	2018	Restated 2017	Change
Revenues:			
Program Revenues:			
Charges for Services and Sales	$489,660	$452,409	$37,251
Operating Grants and Contributions	1,814,666	1,435,134	379,532
General Revenues:			
Property Taxes	3,808,700	2,559,471	1,249,229
Grants and Enttitlements	5,265,486	5,610,182	(344,696)
Gifts and Donations	0	27,992	(27,992)
Investment Earnings	180,468	12,766	167,702
Miscellaneous	31,086	58,897	(27,811)
Total Revenues	11,590,066	10,156,851	1,433,215
Expenses:			
Program Expenses:			
Instruction:			
Regular	1,757,466	3,309,959	(1,552,493)
Special	554,022	1,114,689	(560,667)
Vocational	91,614	208,387	(116,773)
Student Intervention Services	750	370	380
Other	793,112	941,809	(148,697)
Support Services:			0
Pupils	332,407	614,125	(281,718)
Instructional Staff	182,576	355,251	(172,675)
Board of Education	35,072	39,831	(4,759)
Administration	154,954	631,449	(476,495)
Fiscal	191,382	339,098	(147,716)
Operation and Maintenance of Plant	630,413	1,280,913	(650,500)
Pupil Transportation	376,285	580,461	(204,176)
Central	183,687	271,458	(87,771)
Operation of Non-Instructional Services	370,889	468,135	(97,246)
Extracurricular Activities	98,146	208,472	(110,326)
Interest and Fiscal Charges	324,812	136,672	188,140
Total Expenses	6,077,587	10,501,079	(4,423,492)
Change in Net Position	5,512,479	(344,228)	5,856,707
Net Position-Beginning of Year, as restated	6,586,167	N/A	N/A
Net Position-End of Year	$12,098,646	$6,586,167	$5,512,479

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $16,855 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/ outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 statements report negative OPEB expense of $266,169. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB Statement No. 75	$	6,077,587
Negative OPEB expense under GASB Statement No. 75		266,169
2018 contractually required contribution		21,378
Adjusted 2018 program expenses		6,365,134
Total 2017 program expenses under GASB Statement No. 45		10,501,079
Decrease in program expenses not related to OPEB	$	(4,135,945)

The most significant program expenses for the District are Regular Instruction, Other Instruction, Operation and Maintenance of Plant, Special Instruction, Pupil Transportation and Operation of Non-Instructional Services. These programs account for 73.75 percent of the total governmental activities. Regular Instruction, which accounts for 28.92 percent of the total, represents costs associated with providing general educational services. Other Instruction, which represents 13.05 percent of the total, represents costs associated with any instruction other than Regular, Elementary, Middle/Junior High, High School, Alternative School or Enrichment Instruction Activities. Operation and Maintenance of Plant, which represents 10.37 percent of the total, represent costs associated with operating and maintaining the District's facilities. Special Instruction, which represents 9.12 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Pupil Transportation, which accounts for 6.19 percent of the total, represents costs associated with providing transportation services for students between home and school and to school activities. Operation of Non-Instructional Services, which represents 6.10 percent of the total, represents costs associated with activities concerned with providing non-instructional services to students, staff or the community.

As noted previously, the net position for the governmental activities increased $5,512,479 or 83.70 percent. This is a change from last year when net position decreased $344,228 or 3.62 percent. Total revenues increased $1,433,215 or 14.11 percent from last year and expenses decreased $4,423,492 or 42.12 percent from last year.

The District had a program revenue increase of $416,783 and an increase in general revenue of $1,016,432. The increase in program revenue is due primarily to an increase in operating grants and the increase in general revenue is due mostly to increases in property taxes and investment earnings revenue.

The total expenses for governmental activities decreased $4,423,492 or 42.12 percent, primarily due to decreases in regular and special instruction and operation and maintenance of plant and administration support services. The large decrease in expenses is the result of retirement systems calculations for net pension and OPEB liabilities. The actuarial measurements done by the retirement systems resulted in significant decreases in liabilities and expenses. Additional information can be found in Notes 11 and 12.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 32.86 percent and intergovernmental revenue made up 61.09 percent of the total revenue for the governmental activities in fiscal year 2018.

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

The District's intergovernmental revenue consists primarily of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2018, the District received $5,658,301 through the State's foundation program, which represents 48.82 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 52.60 percent of governmental activities program expenses. Support services expenses make up 34.34 percent of governmental activities expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2018 compared with fiscal year 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

Net Cost of Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Expenses:				
Instruction	$3,196,964	$1,792,069	$5,575,214	$4,229,443
Support Services	2,086,776	1,611,065	4,112,586	3,997,210
Operation of Non-Instructional Services	370,889	3,399	468,135	102,788
Extracurricular Activities	98,146	41,916	208,472	147,423
Interest and Fiscal Charges	324,812	324,812	136,672	136,672
Total Expenses	$6,077,587	$3,773,261	$10,501,079	$8,613,536

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues and other financing sources of $11,707,181 and expenditures and other financing uses of $9,690,468.

The fund balances of the total governmental funds increased by $2,016,713 or 50.14 percent. The increase in fund balance for the year was most significant in the General Fund which increased $1,405,816 or 52.19 percent, and was primarily the result of revenues exceeding expenditures. In the Bond Retirement Fund, fund balance increased $492,093 or 40.06 percent, which was due to an increase in revenues that was greater than the increase in expenditures.

The District should remain stable in fiscal years 2019 and 2020. However, projections beyond fiscal year 2020 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of fiscal year 2018, the District amended its General Fund budget, but not significantly. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

For the General Fund, the final budget basis revenue was $8,510,302, representing a decrease of $725 or 0.01 percent from the original budget estimate of $8,511,027. The decrease was mostly the result of decreased expectations for intergovernmental revenue. The final budget basis expenditures were $8,475,510 representing an increase of $388,507 or 4.80 percent from the original budget basis expenditures of $8,087,003. The increase was primarily due to increases in regular instruction, special instruction, and pupil transportation expenditure functions.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had $27,629,906 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles, of which all was in governmental activities. That total carries an accumulated depreciation of $9,682,765. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017.

Table 4

Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2018	2017
Nondepreciable Capital Assets:		
Land	$199,100	$199,100
Depreciable Capital Assets:		
Land Improvements	1,724,161	1,724,161
Buildings and Improvements	22,837,554	22,837,554
Furniture, Fixtures, Equipment and Textbooks	1,982,692	1,947,861
Vehicles	886,399	886,399
Total Capital Assets	27,629,906	27,595,075
Less Accumulated Depreciation:		
Land Improvements	(675,223)	(598,062)
Buildings and Improvements	(7,049,782)	(6,366,382)
Furniture, Fixtures, Equipment and Textbooks	(1,207,395)	(1,078,755)
Vehicles	(750,365)	(673,834)
Total Accumulated Depreciation	(9,682,765)	(8,717,033)
Capital Assets, Net	$17,947,141	$18,878,042

See Note 9 to the basic financial statements for more information on capital assets.

Debt Administration

At June 30, 2018, the District had the following debt outstanding.

Table 5
Outstanding Debt, Governmental Activities at Year End

	Governmental Activities	
Purpose	2018	2017
2009 Classroom Facilities Refunding Bonds	$1,040,000	$1,275,000
2010 School Improvement Bonds	3,735,000	3,765,000
2017 Lighting Loan	101,976	110,524
Total	$4,876,976	$5,150,524

See Note 14 to the basic financial statements for more information on debt.

Current Issues

Over the past several years, school districts have experienced formula changes in state funding. Historically, funding formulas have been inconsistent and calculated using various formulas and components, but have maintained that Ohio's school funding formula is centered on the needs of students. Fiscal year 2019, the baseline year of the District's forecast retained the states biennium budget (HB49) and new funding formula (fiscal year 2018- fiscal year 2019). The goal of this funding is to work with the existing formula enacted under HB64 and provisions of HB49 that govern the calculation of the foundation formula.

The component "Capacity Aid" is where the District continues to receive the biggest increase in funding. The funding is very similar to former aims to manage low property wealth and in the past this funding has not been sustained. For the District, Forecasted years fiscal year 2019 through fiscal year 2023 reflect a continuation of this components funding, however the District must consider its sustainability within future biennial budgets. Any change in the formula and enrollment would have a large effect on the forecast. "Economic Disadvantaged" is also another key revenue component for the district. Changes in the numbers of students and their needs, those who are economically disadvantaged impacts the amount of funding each district receives. The District must make sure to have all families/students that are eligible complete necessary paperwork for classification. The 1991 Current Expense 4.0 mills (renews every five years) expires tax year 2018 and is up for renewal; this renewal is imperative. An expected decrease in agricultural values (CAUV) is projected to negatively affect the district's calculation of supplemental Targeted Assistance funds. Open enrollment in and out of the district is a major source of revenue, as well as, an expense, and the district must closely monitor the effects upon the District. The District forecast projects state funding for fiscal year 2019 and beyond based on the formula established under HB49 and applying projected enrollment. It assumes the formula will stay in place during fiscal year 2019 through fiscal year 2023.

Personnel Services must be monitored by administration and the board in order to hold expenditures within budget availability. Management and labor, along with the insurance committee must maintain efforts to discuss continued changes to insurance plan design and healthcare costs and prevent meeting costly penalties. The District must monitor purchase services for continued and new agreements that will lower expenses and enrollment projections. These costs continue to increase due to the needs of our students and costly purchase services. Transfers out to cover deficits is of great importance and concern to the district. The increase in the District's expenditures is attributed to the demand for instructional needs, enhancements, infrastructure, and funds to cover operational costs.

The District's forecast projects fiscal year 2020 through fiscal year 2023 that the District will experience "overspending". Seeing deficits in future years is not uncommon given the uncertainty and major factors that can impact the forecast including; future state budgets, local economic factors, state and federal mandates, enrollments, etc... Unexpected and emergency expenditures can also impact the remaining years of the forecasted numbers. The District must focus on recognizing how these conditions relate to current operations, identify future year's deficits, engage in planning for those conditions prior to their arrival, and eliminate the projected deficit.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Christi Hendrix, Treasurer at Southern Local School District, PO Box 147, Racine, OH 45771 or email christi.hendrix@southernlocal.net.

SOUTHERN LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$4,336,439
Cash and Cash Equivalents with Fiscal Agent	1,044,474
Property Taxes Receivable	3,231,824
Intergovernmental Receivable	63,700
Materials and Supplies Inventory	22,133
Nondepreciable Capital Assets	199,100
Depreciable Capital Assets, Net	17,748,041
Total Assets	26,645,711
Deferred Outflows of Resources:	
Deferred Charge on Refunding	22,676
Pension	2,373,478
OPEB	80,577
Total Deferred Outflows of Resources	2,476,731
Liabilities:	
Accounts Payable	41,742
Accrued Wages and Benefits	597,832
Intergovernmental Payable	107,097
Accrued Interest Payable	25,004
Claims Payable	129,221
Long-Term Liabilities:	
Due within One Year	412,818
Due in More Than One Year:	
Net Pension Liability	8,098,377
Net OPEB Liability	1,869,215
Other Amounts Due in More Than One Year	4,902,772
Total Liabilities	16,184,078
Deferred Inflows of Resources:	
Property Taxes	180,662
Pension	450,324
OPEB	208,732
Total Deferred Inflows of Resources	839,718
Net Position:	
Net Investment in Capital Assets	12,977,927
Restricted for:	
Debt Service	1,860,873
Capital Outlay	199,745
Other Purposes	85,409
Unrestricted (deficit)	(3,025,308)
Total Net Position	$12,098,646

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$1,757,466	$393,009	$91,063	($1,273,394)
Special	554,022	0	770,224	216,202
Vocational	91,614	0	71,041	(20,573)
Student Intervention Services	750	0	0	(750)
Other	793,112	0	79,558	(713,554)
Support Services:				
Pupils	332,407	0	34,147	(298,260)
Instructional Staff	182,576	0	23,743	(158,833)
Board of Education	35,072	0	0	(35,072)
Administration	154,954	0	9,494	(145,460)
Fiscal	191,382	0	3,600	(187,782)
Operation and Maintenance of Plant	630,413	0	0	(630,413)
Pupil Transportation	376,285	0	381,569	5,284
Central	183,687	0	23,158	(160,529)
Operation of Non-Instructional Services:				
Food Services	368,209	40,940	326,550	(719)
Community Services	2,680	0	0	(2,680)
Extracurricular Activities	98,146	55,711	519	(41,916)
Debt Service:				
Interest and Fiscal Charges	324,812	0	0	(324,812)
Total Governmental Activities	$6,077,587	$489,660	$1,814,666	(3,773,261)

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,782,593
Debt Service	973,079
Capital Outlay	53,028
Grants and Entitlements not Restricted to Specific Programs	5,265,486
Investment Earnings	180,468
Miscellaneous	31,086
Total General Revenues	9,285,740
Change in Net Position	5,512,479
Net Position at Beginning of Year, As Restated (See Note 3)	6,586,167
Net Position at End of Year	$12,098,646

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$2,968,275	$1,097,834	$265,151	$4,331,260
Property Taxes Receivable	2,353,882	835,364	42,578	3,231,824
Intergovernmental Receivable	0	0	63,700	63,700
Materials and Supplies Inventory	4,225	0	17,908	22,133
Interfund Receivable	11,756	0	0	11,756
Total Assets	$5,338,138	$1,933,198	$389,337	$7,660,673
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts Payable	$38,354	$0	$3,388	$41,742
Accrued Wages and Benefits	503,115	0	94,717	597,832
Interfund Payable	0	0	11,756	11,756
Intergovernmental Payable	97,436	0	9,661	107,097
Total Liabilities	638,905	0	119,522	758,427
Deferred Inflows of Resources:				
Property Taxes	599,767	212,850	10,849	823,466
Unavailable Revenue	0	0	39,620	39,620
Total Deferred Inflows of Resources	599,767	212,850	50,469	863,086
Fund Balances:				
Nonspendable	4,666	0	17,908	22,574
Restricted	0	1,720,348	78,796	1,799,144
Committed	32,806	0	0	32,806
Assigned	451,818	0	199,745	651,563
Unassigned (Deficit)	3,610,176	0	(77,103)	3,533,073
Total Fund Balances	4,099,466	1,720,348	219,346	6,039,160
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$5,338,138	$1,933,198	$389,337	$7,660,673

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018

Total Governmental Funds Balances		$6,039,160
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,947,141
Some of the District's receivables will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes	642,804	
Intergovernmental	39,620	
Total		682,424
Unamortized deferred charges from the issuance of refunding bonds represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.		22,676
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
General obligation bonds	(4,775,000)	
Premium on bonds	(171,453)	
Discount on bonds	56,539	
Energy efficiency loan	(101,976)	
Accrued interest	(25,004)	
Capital leases	(15,875)	
Compensated absences	(307,825)	
Total liabilities that are not reported in the funds		(5,340,594)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	2,373,478	
Deferred Outflows - OPEB	80,577	
Deferred Inflows - Pension	(450,324)	
Deferred Inflows - OPEB	(208,732)	
Net Pension Liability	(8,098,377)	
Net OPEB Liability	(1,869,215)	
Total		(8,172,593)
An internal service fund is used by management to charge the costs of insurance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		920,432
Net Position of Governmental Activities		$12,098,646

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$2,694,941	$937,350	$47,809	$3,680,100
Intergovernmental	6,037,064	121,087	882,215	7,040,366
Interest	14,855	0	156	15,011
Tuition and Fees	393,009	0	0	393,009
Extracurricular Activities	2,371	0	53,340	55,711
Charges for Services	0	0	40,940	40,940
Gifts and Donations	11,726	0	323	12,049
Miscellaneous	26,060	0	5,026	31,086
Total Revenues	9,180,026	1,058,437	1,029,809	11,268,272
Expenditures:				
Current:				
Instruction:				
Regular	2,600,691	0	79,888	2,680,579
Special	764,067	0	298,423	1,062,490
Vocational	185,727	0	675	186,402
Student Intervention Services	750	0	0	750
Other	769,734	0	81,503	851,237
Support Services:				
Pupils	561,823	0	34,643	596,466
Instructional Staff	269,612	0	27,260	296,872
Board of Education	46,036	0	0	46,036
Administration	421,543	0	8,920	430,463
Fiscal	283,625	22,026	3,600	309,251
Operation and Maintenance of Plant	759,436	0	72,527	831,963
Pupil Transportation	464,278	0	27,713	491,991
Central	228,537	0	22,919	251,456
Operation of Non-Instructional Services:				
Food Service Operations	2,680	0	459,456	462,136
Extracurricular Activities	155,759	0	46,728	202,487
Capital Outlay	1,640	0	0	1,640
Debt Service:				
Principal Retirement	12,875	382,395	0	395,270
Interest and Fiscal Charges	12,349	327,380	0	339,729
Total Expenditures	7,541,162	731,801	1,164,255	9,437,218
Excess of Revenues Over (Under) Expenditures	1,638,864	326,636	(134,446)	1,831,054
Other Financing Sources (Uses):				
Inception of Capital Lease	20,202	0	0	20,202
Earnings on Sinking Fund Investments	0	165,457	0	165,457
Transfers In	0	0	253,250	253,250
Transfers Out	(253,250)	0	0	(253,250)
Total Other Financing Sources (Uses)	(233,048)	165,457	253,250	185,659
Net Change in Fund Balances	1,405,816	492,093	118,804	2,016,713
Fund Balances at Beginning of Year	2,693,650	1,228,255	100,542	4,022,447
Fund Balances at End of Year	$4,099,466	$1,720,348	$219,346	$6,039,160

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$2,016,713
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(930,809)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(92)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	128,600	
Intergovernmental	27,737	
Total		156,337
Repayment of bonds, loans, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		395,270
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due		8,465
Some items reported in the statement of activities do not require the use of currer financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Amortization of premium on bonds	17,577	
Amortization of discount on bonds	(4,500)	
Amortization of refunding bonds deferred charges	(6,625)	
Accrued vacation leave payable	23,527	
Compensated absences payable	72,992	
Total		102,971
Other financing sources in the governmental funds that increase long-term obligations in th statement of net position are not reported as revenues in the statement of activities.		
Inception of capital leases		(20,202)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred inflows of resources.		590,388
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		2,802,321
An internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is reported as governmental activities.		391,117
Change in Net Position of Governmental Activities		$5,512,479

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	$2,024,811	$2,038,423	$2,038,423	$0
Intergovernmental	6,091,936	6,037,064	6,037,064	0
Interest	11,280	14,781	15,507	726
Tuition and Fees	359,000	393,009	393,009	0
Miscellaneous	24,000	27,025	27,025	0
Total Revenues	8,511,027	8,510,302	8,511,028	726
Expenditures:				
Current:				
Instruction:				
Regular	2,706,493	2,762,115	2,561,766	200,349
Special	827,943	890,754	760,110	130,644
Vocational	194,884	196,527	182,392	14,135
Student Intervention Services	6,500	6,500	750	5,750
Other	817,205	821,949	765,137	56,812
Support Services:				
Pupils	444,278	571,819	560,015	11,804
Instructional Staff	325,008	332,508	286,219	46,289
Board of Education	62,439	62,439	47,038	15,401
Administration	360,182	474,721	438,878	35,843
Fiscal	426,805	342,996	294,755	48,241
Operation and Maintenance of Plant	829,691	864,011	768,999	95,012
Pupil Transportation	590,230	607,291	484,210	123,081
Central	289,501	324,671	231,409	93,262
Operation of Non-Instructional Services	3,625	3,625	1,171	2,454
Extracurricular Activities	180,964	187,929	164,222	23,707
Capital Outlay	0	4,400	1,640	2,760
Debt Service:				
Principal Retirement	9,287	9,287	8,548	739
Interest and Fiscal Charges	7,905	7,905	11,072	(3,167)
Bond Issuance Costs	4,063	4,063	0	4,063
Total Expenditures	8,087,003	8,475,510	7,568,331	907,179
Excess of Revenues Over (Under) Expenditures	424,024	34,792	942,697	907,905
Other Financing Uses:				
Transfers Out	(168,820)	(300,050)	(300,050)	0
Total Other Financing Uses	(168,820)	(300,050)	(300,050)	0
Excess of Revenues Over/ (Under) Expenditures and Other Financing Uses	255,204	(265,258)	642,647	907,905
Fund Balance at Beginning of Year	2,156,392	2,156,392	2,156,392	0
Prior Year Encumbrances Appropriated	77,014	77,014	77,014	0
Fund Balance at End of Year	$2,488,610	$1,968,148	$2,876,053	$907,905

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Fund

June 30, 2018

	Governmental Activities
	Internal Service
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$5,179
Cash and Cash Equivalents with Fiscal Agent	1,044,474
Total Current Assets	1,049,653
Liabilities:	
Current Liabilities:	
Claims Payable	129,221
Net Position:	
Unrestricted	$920,432

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT
Statement of Revenues,
Expenses and Change in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service
Operating Revenues:	
Charges for Services	$1,342,940
Miscellaneous	5,179
Total Operating Revenues	1,348,119
Operating Expenses:	
Purchased Services	415,390
Claims	541,612
Total Operating Expenses	957,002
Change in Net Position	391,117
Net Position at Beginning of Year	529,315
Net Position at End of Year	$920,432

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities
	Internal Service
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Interfund Charges	$1,342,940
Other Cash Receipts	5,179
Cash Payments for Goods and Services	(415,390)
Cash Payments for Claims	(631,931)
Net Cash from Operating Activities	300,798
Net Increase in Cash and Cash Equivalents	300,798
Cash and Cash Equivalents at Beginning of Year	748,855
Cash and Cash Equivalents at End of Year	$1,049,653
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	$391,117
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Decrease in Liabilities:	
Claims Payable	(90,319)
Total Adjustments	(90,319)
Net Cash from Operating Activities	$300,798

See accompanying notes to the basic financial statements

SOUTHERN LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

For the Fiscal Year Ended June 30, 2018

	Agency
Assets:	
Equity in Pooled Cash and Cash Equivalents	$14,625
Liabilities:	
Due to Students	14,625
Total Liabilities	$14,625

See accompanying notes to the basic financial statements

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Description of the District

Southern Local District, Meigs County (the District), is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State and/or local guidelines. The District is staffed by 63 certificated employees and 34 classified employees who provide services to 755 students. The District currently operates one elementary school (grades kindergarten to eighth) and one high school (grades ninth to twelfth).

Reporting Entity

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

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

The District participates in the Metropolitan Educational Technology Association, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations; the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as insurance purchasing pool; and the Jefferson Health Plan, Self-Insurance Plan, which is defined as a claims servicing pool. These organizations are presented in Notes19, 20 and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District, however, has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as either governmental, proprietary, or fiduciary.

Governmental Funds

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

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

The following are the District's major governmental funds:

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

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

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

Proprietary Fund

The proprietary fund focus is on the determination of the change in net position, financial position and cash flows and is classified as internal service. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and prescription drug benefits to employees.

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

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

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

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal yearend: property taxes available as an advance, investment earnings, tuition, grants, fees, and rentals.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding and for pension/OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension/OPEB are explained in Notes 11 and 12.

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide Statement of Net Position. (See Notes 11 and 12).

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

Property taxes for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance year 2019 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflow. Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2018, are recorded as a deferred inflow in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2018, investments were limited to certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $14,855, which includes $8,553 assigned from other District funds.

The District utilizes the Jefferson Health Plan to account for the self-insurance internal service fund. This interest bearing depository account is presented in the financial statements as "cash and cash equivalents with fiscal agents" and represents deposits.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Inventory

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

G. Capital Assets

The District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

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

Donated fixed assets are recorded at their aquisition values as of the date received. The District maintains a capitalization threshold of $1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Land Improvements	50 years
Buildings and Improvements	8 - 75 years
Furniture, Fixtures and Equipment	5 - 50 years
Vehicles	15 - 20 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

I. Accrued Liabilities and Long-term Obligations

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

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

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

J. Pensions

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.

K. Interfund Assets and Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

L. Bond Premiums and Discounts

On government-wide financial statements bond discounts and premiums are deferred and amortized over the term of the bonds. Bond premiums are presented as an addition of the face amount of bonds payable.

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

On the governmental fund financial statements, bond premiums, and bond discounts are recognized in the current period.

M. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the Statement of Net Position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

Net position restricted for other purposes are primarily from federal and state grants reported in the Special Revenue Funds. Of the District's $2,146,027 in total restricted net position, none are restricted by enabling legislation.

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

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

N. Fund Balance Reserves

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

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

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

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

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

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund. All revenues and expenses not meeting this definition are reported as non-operating.

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

P. Interfund Transactions

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 financial statements.

Interfund transfers within the governmental activities are eliminated on the governmental-wide statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2018, the District reported no such items in the financial statements.

R. Estimates

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

S. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made before the end of the prior fiscal year. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented GASB Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement resulted in a prior period restatement to the June 30, 2017 net position.

During fiscal year 2018, the District made an adjustment to the accretion on capital appreciation bonds. This adjustment had the following effect on net position as reported June 30, 2018:

Net Position June 30, 2017	$9,165,627
Adjustments:	
Net OPEB Liability	(2,301,772)
Deferred Outflow - Payments Subsequent to Measurement Date	16,855
Increase in Long-Term Liabilities	(294,543)
Restated Net Position June 30, 2017	$6,586,167

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

***NOTE 4 – <u>BUDGETARY BASIS OF ACCOUNTING</u>* - (Continued)**

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. Unreported and prepaid items represent amounts received but not included as revenues on the budget basis operating statements. These amounts are included as revenues on the GAAP basis operating statement.

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

Net Change in Fund Balance	General
GAAP Basis	$1,405,816
Adjustments:	
Revenue Accruals	(402,327)
Expenditure Accruals	(109,161)
Encumbrances	(40,156)
Other Sources	(136,120)
Prospective Difference:	
Activity of Funds Reclassified For GAAP Reporting Purposes	(75,405)
Budget Basis	$642,647

NOTE 5 – FUND DEFICITS

At June 30, 2018, the following funds had deficit fund balances:

	Deficit
Special Revenue Funds:	
Food Service	$8,346
Early Childhood	15,246
State Grants	10,757
Title I	19,012
Title II-A	2,513
Miscellaneous Federal Grants	3,321

The deficits are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides transfers to cover deficit fund balances in special revenue funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 6 - 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 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 payment of 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;

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

***NOTE 6 - DEPOSITS AND INVESTMENTS* - (Continued)**

5. Time certificates of deposit 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 division (1) or (2) above;

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

8. Commercial paper and bankers acceptances if training requirements have been met; and

Investments in stripped principal or interest obligation, 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.

Deposits with Financial Institutions

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District may not be able to recover deposits on collateral securities that are the possession of an outside party. As of June 30, 2018, all of the District's bank balance of $4,393,928 was either covered by Federal Deposit Insurance or collateral was held by the pledging banks trust department not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

> 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 % of the deposits being secured; or
>
> 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% of the deposits being secured or a rate set by the Treasurer of State.

The District's only financial institution is enrolled in the OPCS.

NOTE 7 - PROPERTY TAXES

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

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

NOTE 7 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in calendar year 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Meigs 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.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2018, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal yearend. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2018, was $2,408,358 and is recognized as revenue: $1,754,115 in the General Fund, $31,729 in the Classroom Facilities Fund, and $622,514 in the Bond Retirement Fund.

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

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

	2017 Second - Half Collections		2018 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$79,896,370	80.26%	$79,982,730	79.87%
Public Utility	19,644,650	19.74%	20,159,110	20.13%
Total Assessed Value	$99,541,020	100.00%	$100,141,840	100.00%
Total rate per $1,000 of assessed valuation	$28.20		$28.20	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Except for property taxes, all receivables are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of principal items of intergovernmental receivables follows:

NOTE 8 - RECEIVABLES - (Continued)

	Amounts
Governmental Activities	
Title VI-B	$24,500
Title I	30,323
Title II-A	4,740
Miscellaneous Federal Grants	4,137
Total	$63,700

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Nondepreciable Capital Assets:				
Land	$199,100	$0	$0	$199,100
Depreciable Capital Assets:				
Land Improvements	1,724,161	0	0	1,724,161
Buildings and Improvements	22,837,554	0	0	22,837,554
Furniture and Equipment	1,947,861	37,183	(2,352)	1,982,692
Vehicles	886,399	0	0	886,399
Total Depreciable Capital Assets	27,395,975	37,183	(2,352)	27,430,806
Total Capital Assets	27,595,075	37,183	(2,352)	27,629,906
Less Accumulated Depreciation:				
Land Improvements	(598,062)	(77,161)	0	(675,223)
Buildings and Improvements	(6,366,382)	(683,400)	0	(7,049,782)
Furniture and Equipment	(1,078,755)	(130,900)	2,260	(1,207,395)
Vehicles	(673,834)	(76,531)	0	(750,365)
Total Accumulated Depreciation	(8,717,033)	(967,992)	2,260	(9,682,765)
Depreciable Capital Assets, Net	18,678,942	(930,809)	(92)	17,748,041
Capital Assets, Net	$18,878,042	($930,809)	($92)	$17,947,141

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$793,496
Special	107
Vocational	3,417
Other	481
Support Services:	
Pupils	202
Instructional Staff	21,840
Administration	3,521
Fiscal	160
Operation and Maintenance of Plant	7,764
Pupil Transportation	78,003
Central	11,022
Operation of Non-Instructional Services	10,869
Extracurricular Activities	37,110
Total Depreciation Expense	$967,992

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

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 holds commercial property and liability insurance. The types and amounts of coverage provided by the Reed & Baur (Liberty Mutual Insurance) are as follows:

Property ($2,500 Deductible):	
Building and Contents – Replacement Cost	$30,633,837
Boiler and Machinery Breakdown	30,633,837
Equipment Inland Marine ($500 Deductible)	
Miscellaneous Equipment	15,353
Miscellaneous School Property Floater Band Uniforms	
Athletic Equipment/Musical Equipment/Cameras and Audio Visual/Fine Arts/	50,000 each
Signs	10,000

***NOTE 10 - RISK MANAGEMENT* - (Continued)**

Crime ($500 Deductible):	
Employee Theft	500,000
Forgery of Alteration	500,000
Computer Fraud	500,000
Automobile Liability (Comprehensive $250/Collision $500/Comp/Coll 1,000):	
Bodily Injury and Property Damage – Combined Single Limit	1,000,000
Medical Payments – Each Person	5,000
Uninsured/Underinsured Motorist	1,000,000
General Liability (No Deductible):	
Bodily Injury and Property Damage Limit – Combined Single Limit	1,000,000
Aggregate Limit	2,000,000
Violence Coverage (No Deductible)	
Violence Limit	500,000
Aggregate Limit	500,000
Employee Benefits Liability Each Occurrence	1,000,000
Aggregate Limit ($1,000 Deductible)	3,000,000
Sexual Misconduct and Molestation Liability Each Occurrence	1,000,000
Aggregate Limit ($5,000 Deductible)	1,000,000
Law Enforcement Liability Each Occurrence	1,000,000
Aggregate Limit ($1,000 Deductible)	1,000,000
Employers' – Stop Gap – Bodily Injury: (No Deductible) Each Occurrence	1,000,000
Aggregate Limit	2,000,000
School Leaders Errors and Omissions Injury Limit Each Occurrence	1,000,000
Aggregate Limit ($5,000 Deductible)	1,000,000
Umbrella Each Occurrence	3,000,000
Aggregate Limit ($10,000 Deductible)	3,000,000

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

NOTE 10 - RISK MANAGEMENT **-** (Continued)

B. Workers' Compensation

For fiscal year 2018, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

***C.* Medical/Surgical and Prescription Drug Insurances**

Medical/surgical and prescription drug insurance is offered through a self-insurance internal service fund. The District pays 90% of the monthly insurance premium for either family or single coverage. The employee shall pay 10% of the monthly insurance premium. The District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The District's stop loss amount per person is $50,000 for fiscal year 2018. The claims liability of $129,221 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2018 were:

	Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2017	$111,076	$1,255,479	$1,147,015	$219,540
2018	219,540	541,612	631,931	129,221

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – 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 65 with 5 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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. 0.5 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $148,832 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 Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 65 with five years of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2017, 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 65 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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $420,178 for fiscal year 2018. Of this amount $71,208 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.03211430%	0.02671891%	
Current Measurement Date	0.03103950%	0.02628406%	
Change in Proportionate Share	-0.00107480%	-0.00043485%	
Proportionate Share of the Net Pension Liability	$1,854,542	$6,243,835	$8,098,377
Pension Expense	($105,283)	($2,430,869)	($2,536,152)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$79,814	$241,108	$320,922
Change in Assumptions	95,899	1,365,595	1,461,494
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	0	22,052	22,052
District Contributions Subsequent to the Measurement Date	148,832	420,178	569,010
Total Deferred Outflows of Resources	$324,545	$2,048,933	$2,373,478
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$0	$50,323	$50,323
Net Difference between Projected and Actual Investment Earnings	8,803	206,055	214,858
Changes in proportion and differences between District Contributions and Proportionate share of Contributions	81,149	103,994	185,143
Total Deferred Inflows of Resources	$89,952	$360,372	$450,324

$569,010 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$35,350	$264,199	$299,549
2020	80,177	544,506	624,683
2021	8,914	376,600	385,514
2022	(38,680)	$83,078	44,398
Total	$85,761	$1,268,383	$1,354,144

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.

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 1.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed 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:

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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	$2,573,622	$1,854,542	$1,252,165

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses	7.75%, net of investment expenses
Payroll Increases	3%	3.50%
Cost-of-Living Adjustments (COLA)	0.00% effective July 1, 2017	2 % simple appled as follows: for members retiring before August 1, 2013, or later, 2 % COLA commences on 5th anniversary of retirement date.

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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 by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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 annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's 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 7.75% as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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%, 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%) or one-percentage-point higher (8.45%) 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	$8,950,325	$6,243,835	$3,964,023

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the Statement of Net Position represents a liability to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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.

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.

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 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 $15,866.

The surcharge, added to the 0.5 percent 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 $5,512 for fiscal year 2018. Of this amount $0 is reported as an intergovernmental payable.

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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 and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.03143780%	0.02628406%	
Current Measurement Date	0.03143780%	0.02628406%	
Change in Proportionate Share	0.00000000%	0.00000000%	
Proportionate Share of the Net OPEB Liability	$843,708	$1,025,507	$1,869,215
OPEB Expense	$46,760	($312,929)	($266,169)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$59,199	$59,199
District contributions subsequent to the measurement date	21,378	0	21,378
Total Deferred Outflows of Resources	$21,378	$59,199	$80,577
Deferred Inflows of Resources			
Net difference between projected and Actual Investment	$2,228	$43,833	$46,061
Changes of assumptions	80,063	82,608	162,671
Total Deferred Inflows of Resources	$82,291	$126,441	$208,732

$21,378 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($29,566)	($14,860)	($44,426)
2020	(29,566)	(14,860)	(44,426)
2021	(22,602)	(14,860)	(37,462)
2022	(557)	(14,861)	(15,418)
2023	0	(3,902)	(3,902)
Thereafter	0	(3,899)	(3,899)
Total	($82,291)	($67,242)	($149,533)

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

Sensitivity of the School 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	$1,018,885	$843,708	$704,923

	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	$684,606	$843,708	$1,054,282

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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

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	Allocation	Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and does not include investment expenses. Over a 30 year period, STRS Ohio's 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 Ohio 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.

NOTE 12 - DEFINED BENEFIT OPEB PLANS – (Continued)

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	$1,376,727	$1,025,507	$747,929

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$712,478	$1,025,507	$1,437,489

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn (10 to 25) ten to twenty-five days of vacation per fiscal year, depending upon length of service. Classified employees are permitted to carry over a maximum of (5) five unused vacation days per twelve months to a maximum of (20) twenty accumulated unused vacation days total. Accumulated, unused vacation time is paid to classified employees and administrators per negotiated agreement and contract language upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of (1.25) one and one-fourth days per month. Sick leave may be accumulated up to a maximum of (260) two hundred sixty days for all personnel.

Upon retirement, classified personnel receive twenty-five percent of the number of unused days of sick leave accumulated not to exceed (40) forty days for employees with (10) ten years or less of service, twenty-five percent of the number of unused days of sick leave accumulated not to exceed (50) fifty days for employees with over (10) ten years but less than (20) twenty years of service, and twenty-five percent of the number of unused days of sick leave accumulated not to exceed (60) sixty days for over 20 years of service.

Upon retirement, certified personnel receive twenty-five percent of the number of unused days of sick leave accumulated to a maximum of (45) forty-five days having (10) ten years or less service, twenty-five percent of the number of unused days of sick leave accumulated to a maximum of (60) sixty days having over (10) ten years but less than (20) twenty years of service, twenty-seven percent of the number of unused days of sick leave accumulated to a maximum of (70) seventy days having over (20) twenty years of service but less than (30) thirty, and thirty percent of the number of unused days of sick leave accumulated to a maximum of (80) eighty days having over (30) thirty years or more of service.

NOTE 13 – EMPLOYEE BENEFITS - (Continued)

B. Insurance

The District provides health, dental, and life insurance to most employees. It provides term life insurance through Metropolitan Educational Council-American United Life Insurance Company, dental insurance coverage through SEOVEC Dental Consortium-Delta Dental, vision insurance through Vision Service Plan, and health/prescription plan through The Jefferson Health Plan-Anthem. The cost of premiums for the coverage is $556.20 ($46.35) month) for dental, and $142.80 ($11.90 month) family and $63.12 ($5.26 month) single for vision, $0.10 per $1,000.00 ($4.00 month) for Life, and for 20/40/60 (Medical/RX) health $9658.20 ($804.85 month) for single) and $21,428.76 ($1,785.73 month) for family, and for HDHP (Medical/RX) health $7,919.76 (659.98) for single and $17,571.48 ($1,464.29 month) for family

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2018 were as follows:

	*Principal Outstanding at July 1, 2017	Additions	Deductions	Principal Outstanding at June 30, 2018	Amount Due In One Year
Governmental Activities:					
2009 Classroom Facilities					
Refunding Bonds 2.00 - 4.00%	$1,275,000	$0	$235,000	$1,040,000	$245,000
Discount on Term Bonds	(9,547)	0	(2,159)	(7,388)	0
Premium on Term Bonds	49,723	0	11,245	38,478	0
2010 School Improvement Bonds					
Refunding Capital Appreciation Bonds 2.04 - 3.25%	12,395	0	12,395	0	0
Accretion on Capital Appreciation Bonds 32.96%	105,000	0	105,000	0	0
Recovery Zone Economic Development Bonds 7.10%	1,820,000	0	0	1,820,000	0
Qualified School Construction Bonds 6.60%	1,945,000	0	30,000	1,915,000	130,000
Discount on Serial Bonds	(51,492)	0	(2,341)	(49,151)	0
Premium on Serial Bonds	139,307	0	6,332	132,975	0
Energy Efficiency Loan	110,524	0	8,548	101,976	9,153
Total General Obligation Debt	5,395,910	0	404,020	4,991,890	384,153
Net Pension Liability:					
STRS	8,943,625	0	2,699,790	6,243,835	0
SERS	2,350,470	0	495,928	1,854,542	0
Total Net Pension Liability	11,294,095	0	3,195,718	8,098,377	0
Net OPEB Liability:					
STRS	1,405,678	0	380,171	1,025,507	0
SERS	896,094	0	52,386	843,708	0
Total Net OPEB Liability	2,301,772	0	432,557	1,869,215	0
Capital Leases	0	20,202	4,327	15,875	4,639
Compensated Absences	380,817	145,677	218,669	307,825	24,026
Total Governmental Activities Long-Term Obligations	$19,372,594	$165,879	$4,255,291	$15,283,182	$412,818

*Restated

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Classroom Facilities Construction and Improvement Bonds - On December 1, 1998, the District issued $4,042,000 in voted general obligation bonds for building a new elementary and an addition to the high school. The bond issue included serial and term bonds in the amounts of $1,432,000 and $2,610,000, respectively. The bonds were issued for a twenty-three year period, with the final maturity date during fiscal year 2022. During fiscal year 2010, the District made the schedule repayment of the bonds in the amount of $165,000 and advance refunded the remaining bonds of $2,670,000. The refunded bonds were removed from the financial statements of District.

On July 20, 2009, the District issued $2,670,000 of general obligation refunding bonds to refund $2,670,000 of outstanding 1998 Classroom Facilities Construction and Improvements Bonds. The bonds were issued for over a 12 year period with final maturity at December 1, 2021. The bond issue included term and capital appreciation bonds in the amounts of $2,595,000 and $75,000, respectively. At the date of refunding, $2,751,938 (including premium and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded bonds. The bond holders were paid on August 25, 2009; therefore, no amounts remain in the trust.

These refunding bonds were issued with a discount of $26,700 which is reported as a decrease to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight- line method; the amortization of the discount for fiscal year 2017 was $2,159. These refunding bonds were also issued with a premium of $139,066 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method; the amortization of the premium for fiscal year 2017 was $11,245. The issuance costs of $27,347 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2017 was $2,211. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $81,938. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2017 was $6,625.

The 2009 bond issue consists of term and capital appreciation bonds. These bonds are not subject to early redemption. Principal and interest requirements to retire the refunding bonds are as follows:

Term Bonds			
Fiscal Year Ending June 30	Principal	Interest	Total
2019	$245,000	$36,394	$281,394
2020	255,000	26,700	281,700
2021	265,000	16,300	281,300
2022	275,000	5,500	280,500
Total	$1,040,000	$84,894	$1,124,894

School Facilities Improvement Bonds – On November 16, 2010, the District issued serial bonds, capital appreciation bonds, recovery zone economic development bonds, and qualified school construction bonds for the purpose of constructing school facilities (in particular a new high school) under the Ohio School Facilities Commission Classroom Facilities Assistance Program; renovating, improving, and constructing additions to existing school facilities, including improvements to school technology; furnishing and equipping the same and landscaping and improving the sites thereof. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the District at an election held on August 3, 2010.

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

As part of the issue, $1,820,000 in Recovery Zone Economic Development Bonds (RZEDs) (Series 2010B Current Interest Term Bonds) and $2,000,000 in Qualified School Construction Bonds (QSCBs) (Series 2010C Current Interest Term Bonds) were issued in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). The District has elected to treat the Series 2010B Bonds as “build America bonds” under Section 54AA(d) of the Code and has designated them as “recovery zone economic developments bonds” under Section 1400U-2(b) of the Code in order to receive the Series 2010B Direct Payments from the Treasury. The District has designated the Series 2010C Bonds as Qualified School Construction Bonds under Section 54F of the Code and has irrevocably elected under Section 643(f) of the Code to receive the Direct Payments from the Treasury. Holders of these bonds will not be entitled to receive any tax credits with respect thereto.

The principal (sinking fund deposits) and interest requirements to maturity for the RZEDs are as follows:

Recovery Zone Economic Development Bonds				
Fiscal Year Ending June 30	Principal	Interest	Subsidy	Total
2019	$0	$129,220	($58,149)	$71,071
2020	0	129,220	(58,149)	71,071
2021	0	129,220	(58,149)	71,071
2022	0	129,220	(58,149)	71,071
2023	0	129,220	(58,149)	71,071
2024-2028	0	646,100	(290,745)	355,355
2029-2033	535,000	590,542	(265,745)	859,797
2034-2038	1,130,000	264,830	(119,174)	1,275,656
2039	155,000	5,503	(2,476)	158,027
Total	$1,820,000	$2,153,075	($968,885)	$3,004,190

The principal (sinking fund deposits) and interest requirements to maturity for the QSCBs are as follows:

Qualified School Construction Bonds				
Fiscal Year Ending June 30	Principal	Interest	Subsidy	Total
2019	$130,000	$122,100	($102,860)	$149,240
2020	135,000	113,355	(95,493)	152,862
2021	140,000	104,280	(87,848)	156,432
2022	145,000	94,875	(79,925)	159,950
2023	150,000	85,140	(71,724)	163,416
2024-2028	840,000	265,980	(224,068)	881,912
2029-2033	375,000	24,915	(20,989)	378,926
Total	$1,915,000	$810,645	($682,907)	$2,042,738

The Series 2010B Current Interest Term Bonds matured on December 1, 2038, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Year (December 1)	Principal Amount to be Redeemed
2030	$170,000
2031	175,000
2032	190,000
2033	200,000
2034	210,000
2035	230,000
2036	240,000
2037	250,000
Total	$1,665,000

The remaining principal amount of $155,000 will be paid at stated maturity on December 1, 2038.

The Series 2010C Current Interest Term Bonds matured on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year (December 1)	Principal Amount to be Redeemed
2019	$130,000
2020	135,000
2021	140,000
2022	145,000
2023	150,000
2024	160,000
2025	160,000
2026	165,000
2027	175,000
2028	180,000
2029	185,000
Total	$1,725,000

The remaining principal amount of $190,000 will be paid at stated maturity on December 1, 2029.

The Current Interest Bonds maturing after December 1, 2020, are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2020, at a redemption price equal to 100% of the principal amount redeemed pus, in each case, accrued interest to the date fixed for redemption.

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

As part of the ARRA act of 2009, issuers of these bonds are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, bonds may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The District, under agreement with the federal government, has chosen to receive a forty-five percent semi-annual direct payment from the federal government to help offset interest expense on the Recovery Zone Economic Development Bonds. Direct payments for the Qualified School Construction Bonds are equal to the applicable credit rate (5.56%) determined under Section 54A (b) (3) of the Code.

The bonds are subject to extraordinary optional 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 at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption, in the event that the direct payments from the federal government cease or are in an amount less than 45 percent of the corresponding interest payable on the Series 2010B Bonds.

To the extent that less than 100% of the available project proceeds of the Series 2010C Bonds are expended for qualified purposes by November 30, 2014, (or if an extension of such expenditure period has been received by the District from the Secretary of the Treasury or the IRS, by the close of the extended period), the District shall be required to redeem the nonqualified Series 2010C Bonds within 90 days after the end of such period. Redemption of the nonqualified Series 2010C Bonds shall be at a price equal to the sum of the principal amount being redeemed plus accrued interest thereon to the redemption date.

Also as part of the total bond issuance, $5,000 in current interest, tax-exempt serial bonds and $124,996 in capital appreciation bonds were issued. These bonds were fully retired during the fiscal year. The capital appreciation bonds for this issue mature December 1, 2013, 2014, 2015, 2016, and 2017. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability.

As part of the entire debt issuance, the District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a long-term rating of AA from Standard & Poor's for the bond issuance. In the event the District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

Energy Efficiency Service Agreement - The District entered into an agreement with Energy, USA to provide services and work designed to improve the facilities. The District paid 50 percent at the start of the project and financed the remaining 50 percent, $114,583 for 120 months.

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The principal and interest requirement to retire the energy efficiency loan is as follows:

Energy Efficiency Loan			
Fiscal Year Ending June 30	Principal	Interest	Total
2019	$9,153	$6,716	$15,869
2020	9,802	6,068	15,870
2021	10,496	5,373	15,869
2022	11,240	4,630	15,870
2023	12,036	3,833	15,869
2024-2027	49,249	6,293	55,542
Total	$101,976	$32,913	$134,889

Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and Food Service, Title VIB, and Title I Special Revenue Funds.

The District's overall debt margin was $4,237,766 with an unvoted debt margin of $100,142 at June 30, 2018.

NOTE 15- CAPITAL LEASES - LESSEE DISCLOSURE

During 2018, the District entered into a new capital lease for nine copiers in the amount of $20,202. These lease obligations meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. Principal payments in fiscal year 2018 totaled $4,327 in the governmental funds.

The following is a schedule of the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30	General Long-Term Obligations
2019	$5,604
2020	5,604
2021	5,604
2022	934
Total Future Minimum Lease Payments	17,746
Less: Amount Representing Interest	(1,871)
Present Value of Net Minimum Lease Payments	$15,875

NOTE 16 – INTERFUND TRANSFERS AND BALANCE

Transfers made during fiscal year 2018 were as follows:

	Transfer In	Transfer Out
General Fund	$0	$253,250
Nonmajor Funds:		
Food Service	108,589	0
Facilities Maintenance	12,161	0
Permanent Improvement	132,500	0
Total All Funds	$253,250	$253,250

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

Unpaid interfund cash advances at June 30, 2018, were as follows:

	Receivable	Payable
General Fund	$11,756	$0
Nonmajor Special Revenue Funds:		
State Grant Funds	0	10,757
Title VIB	0	370
Federal Grant Funds	0	629
Total All Funds	$11,756	$11,756

All balances are scheduled to be collected in the subsequent year. All balances resulted from the time between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balance of $11,756 due to the General Fund from the funds listed is a result of advances made to these funds by the General Fund, which were not repaid as of June 30, 2018.

NOTE 17 – FUND BALANCES

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

NOTE 17 – FUND BALANCES - (Continued)

As of June 30, 2018, fund balances are composed of the following:

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Unclaimed Monies	$441	$0	$0	$441
Materials and Supplies	4,225	0	17,908	22,133
Total Nonspendable	4,666	0	17,908	22,574
Restricted:				
Athletic Programs	0	0	44,151	44,151
Facilities Maintenance	0	0	28,341	28,341
Local Grant Expenditures	0	0	4,078	4,078
State Grant Expenditures	0	0	960	960
Federal Grant Expenditures	0	0	1,266	1,266
Debt Service	0	1,720,348	0	1,720,348
Total Restricted	0	1,720,348	78,796	1,799,144
Committed:				
Termination Benefits	32,806	0	0	32,806
Total Restricted	32,806	0	0	32,806
Assigned:				
Capital Improvments	0	0	199,745	199,745
Encumbrances	40,156	0	0	40,156
2018 Appropriations	411,662	0	0	411,662
Total Assigned	451,818	0	199,745	651,563
Unassigned	3,610,176	0	(77,103)	3,533,073
Total Fund Balances	$4,099,466	$1,720,348	$219,346	$6,039,160

NOTE 18 - <u>STATUTORY SET-ASIDES</u>

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

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2018:

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2017	$45,367
Current Year Set-aside Requirement	131,801
Qualifying Disbursements	(193,343)
Set-aside Reserve Balance as of June 30, 2018	($16,175)
Set-aside Reserve Balance Carried Forward to FY 18	$0

NOTE 19 – <u>JOINTLY GOVERNED ORGANIZATIONS</u>

A. Metropolitan Educational Technology Association (META)

Meta Solutions is a jointly governed organization as a regional council of governments pursuant to State statutes. Meta Solutions develops, implements, and supports the technology and instructional needs of member districts including financial accounting services, educational management information services, and cooperative purchasing services. Meta Solutions membership consists of 149 public schools, 13 educational service centers, 13 career technology centers, and more than 140 non-public chartered schools. Non-public charter schools are not members but receive services based on contractual agreements and are not eligible for seats on the board of directors. Each member district pays an annual fee for services provided by Meta Solutions Meta Solutions is governed by a 13-member board of directors made up of Superintendents and School Business Officials selected from the 175 member public school districts. The board of directors controls the budget and finances of Meta Solutions. The continued existence of META Solutions is not dependent on the District’s continued participation and no equity interest exists. Financial statements for META Solutions can be obtained from the META Solutions office, 2100 Citygate Drive, Columbus, Ohio 43219.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 134 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Coalition. The District’s membership fee was $325 for fiscal year 2018. The financial information for the Coalition of Rural and Appalachian Schools can be obtained from the Executive Director at McCraken Hall, Ohio University, Athens, Ohio 45701.

NOTE 20 – INSURANCE PUCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a workers' compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. Comp Management, Inc. (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group rating program for 2018. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 21 - CLAIMS SERVICING POOL

The District participates in the Jefferson Health Plan, a claims servicing pool composed of over 250 public employer member organizations. The Plan's business and affairs are conducted by a nine member Board of Directors elected by plan members. The member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk. The Plan acts solely as the claims servicing agent.

NOTE 22 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Litigation

The School District is currently not a party to any material legal proceedings.

C. School Foundation

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to 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, 2018 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this may result in either a receivable to or a liability of the District.

SOUTHERN LOCAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of Net Pension Liability

Last Five Measurement Periods (1)

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio					
District's Proportion of the Net Pension Liability	0.03103950%	0.0321140%	0.0331220%	0.0332850%	0.033285%
District's Proportionate Share of the Net Pension Liability	$1,854,542	$2,350,470	$1,889,956	$1,684,535	$1,979,352
District's Covered Payroll	$1,001,457	$997,136	$1,428,710	$947,355	$931,376
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	185.18%	235.72%	132.28%	177.81%	212.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio					
District's Proportion of the Net Pension Liability	0.02628406%	0.02671891%	0.02335092%	0.02665700%	0.026657%
District's Proportionate Share of the Net Pension Liability	$6,243,835	$8,943,625	$7,293,577	$6,483,589	$7,723,585
District's Covered Payroll	$2,872,457	$2,780,579	$3,015,943	$2,763,623	$2,797,367
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	217.37%	321.65%	241.83%	234.60%	276.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

SOUTHERN LOCAL SCHOOL DISTRICT

Schedule of the District's Proportionate Share of Net OPEB Liablity

Last Two measurement periods (1)

	2017	2016
School Employees Retirement System of Ohio		
District's Proportion of the Net OPEB Liability	0.03143780%	0.03143780%
District's Proportionate Share of the Net OPEB Liability	$843,708	$896,094
District's Covered Payroll	$1,001,457	$997,136
District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered Payroll	84.25%	89.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio		
District's Proportion of the Net OPEB Liability	0.02628406%	0.02628406%
District's Proportionate Share of the Net OPEB Liability	$1,025,507	$1,405,678
District's Covered Payroll	$2,872,457	$2,780,579
District's Proportionate Share of the Net OPEB Liability as a Percentage of it's Covered Payroll	35.70%	50.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2016 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information.

SOUTHERN LOCAL SCHOOL DISTRICT

Schedule of the District's Contributions

School Employees Retirement Systems of Ohio

Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Pension						
Contractually Required Contributions	$148,832	$140,204	$139,599	$188,304	$172,657	$174,422
Contributions in Relation to the Contractually Required Contributions	(148,832)	(140,204)	(139,599)	(188,304)	(172,657)	(174,422)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
District Covered Payroll	$1,102,457	$1,001,457	$997,136	$1,428,710	$1,684,538	$1,979,352
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	10.25%	13.84%
OPEB						
Contractually Required Contributions (2)	$5,512	$0	$0	$11,715	$2,358	$3,167
Contributions in Relation to the Contractually Required Contributions	(5,512)	0	0	(11,715)	(2,358)	(3,167)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
District Covered Payroll	$1,102,457	$1,001,457	$997,136	$1,428,710	$1,684,538	$1,979,352
Contributions as a Percentage of Covered Payroll	0.50%	0.00%	0.00%	0.82%	0.14%	0.16%

(1) Information prior to 2013 is not available.
(2) Excludes surcharge amount.

See accompanying notes to the required supplementary information.

SOUTHERN LOCAL SCHOOL DISTRICT

Schedule of the District's Contributions
State Teachers Retirement System of Ohio
Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Pension						
Contractually Required Contributions	$420,178	$402,144	$389,281	$422,232	$424,936	$422,253
Contributions in Relation to the Contractually Required Contributions	(420,178)	(402,144)	(389,281)	(422,232)	(424,936)	(422,253)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
District Covered Payroll	$3,001,271	$2,872,457	$2,780,579	$3,015,943	$2,763,623	$2,797,367
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	15.38%	15.09%
OPEB						
Contractually Required Contributions	$0	$0	$0	$0	$27,636	$27,974
Contributions in Relation to the Contractually Required Contributions	0	0	0	0	(27,636)	(27,974)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
District Covered Payroll	$3,001,271	$2,872,457	$2,780,579	$3,015,943	$2,763,623	$2,797,367
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

(1) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

NOTE 1 – SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Pension

Assumption Changes Since Prior Measurement Date – For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

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

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

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

Other Postemployment Benefits

Assumption Changes Since the Prior Measurement Date – Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, Including price inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Pension

Assumption Changes Since Prior Measurement Date – Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

NOTE 2 - STATE TEACHERS RETIREMENT SYSTEM OF OHIO - Continued

Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expense, including inflation	7.75 percent net of investment expense, 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 fiscal year 2018 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% 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 fiscal year 2017 and prior 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.

Other Postemployment Benefits

Assumption Changes Since the Prior Measurement Date – For fiscal year 2018, 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 for fiscal year 2018, 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.

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ *Pass Through Grantor /* Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through The Ohio Department of Education:				
Child Nutrition Cluster:				
National School Breakfast Program	2018	10.553	$ 100,054	$ 100,054
National School Lunch Program	2018	10.555	191,007	191,007
Cash Assistance			291,061	291,061
Non-Cash Assistance (Food Distribution)	2018	10.555	29,965	29,965
Total Child Nutrition Cluster			321,026	321,026
Total U.S. Department of Agriculture			321,026	321,026
U.S. DEPARTMENT OF EDUCATION				
Passed Through The Ohio Department of Education:				
Title I Grants to Local Educational Agencies	2018	84.010	194,278	194,278
Title I Grants to Local Educational Agencies	2017	84.010	29,937	29,937
Total Title I Grants to Local Educational Agencies			224,215	224,215
Special Education Grants to States	2018	84.027	148,592	148,592
Special Education Grants to States	2017	84.027	23,500	23,500
Special Education Preschool Grants	2018	84.173	2,679	2,679
Total Special Education Grants to States			174,771	174,771
Title VI-B Rural Education	2018	84.358	10,327	10,327
Title VI-B Rural Education	2017	84.358	1,547	1,547
Total VI-B Rural Education			11,874	11,874
Title II-A Improving Teacher Quality State Grants	2018	84.367	29,626	29,626
Title II-A Improving Teacher Quality State Grants	2017	84.367	9,257	9,257
Total Title II-A Improving Teacher Quality State Grants			38,883	38,883
Student Support and Academic Enrichment Program	2018	84.424	10,000	10,000
Total – U.S. Department of Education			459,743	459,743
Total Federal Financial Assistance			$ 780,769	$ 780,769

See the accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of **Southern Local School District,** Meigs County, Ohio (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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

December 26, 2018

Southern Local School District
Meigs County
106 Broadway St., Suite 1
Racine, OH 45771

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Southern Local School District**, Meigs County, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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.

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 26, 2018.

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 communication is not suitable for any other purpose.

Perry & Associates CPA's A.C.

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

December 26, 2018

Southern Local School District
Meigs County
106 Broadway St., Suite 1
Racine, OH 45771

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited **Southern Local School District's** (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Southern Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

Auditor's Responsibility (Continued)

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

Opinion on the Major Federal Program

In our opinion, the Southern Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

SOUTHERN LOCAL SCHOOL DISTRICT
MEIGS COUNTY

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster: National School Breakfast Program, CFDA #10.553 and National School Lunch Program, CFDA #10.555
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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SOUTHERN LOCAL SCHOOLS

920 Elm Street • Racine, Ohio 45771 • 740-949-4222

Anthony Deem, Superintendent • Christi Hendrix, Treasurer • Daniel Otto, 7-12 Principal • Tricia McNickle PreK-6 Principal

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	GASB Statement No. 68	Yes	N/A

OHIO AUDITOR OF STATE
KEITH FABER

SOUTHERN LOCAL SCHOOL DISTRICT

MEIGS 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