TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2018

James G. Zupka, CPA, Inc.
Certified Public Accountants

Dave Yost • Auditor of State

Members of Board of Education
Tiffin City School District
244 S. Monroe Street
Tiffin, OH 44883

We have reviewed the *Independent Auditor's Report* of the Tiffin City School District, Seneca County, prepared by James G. Zupka, CPA, Inc., 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 Tiffin City School District is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

December 20, 2018

This page intentionally left blank.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Board of Education
Tiffin City School District
Tiffin, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension and Postemployment Benefit Liabilities and Pension and Postemployment Benefit Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 3, 2018

This page intentionally left blank.

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased $13,004,035 from fiscal year 2017.

- General revenues accounted for $27,701,466 in revenue or 84.21 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $5,195,652 or 15.79 percent of total revenues of 32,897,118.

- The District had $19,893,083 in expenses related to governmental activities; only $5,195,652 of these expenses was offset by program specific charges for services, and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $27,701,466 were adequate to provide for these programs.

- The District's only major governmental fund is the General Fund. The General Fund had $28,233,877 in revenues and other financing sources and $26,926,803 in expenditures and other financing uses. During fiscal year 2018, the General Fund's fund balance increased $1,307,074 from a balance of $13,811,340 to $15,118,414.

Using the 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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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 at the District's most significant funds with all other nonmajor funds presented in total in one column. The District's only major fund is the General Fund.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question.

These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 net position. 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, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 17 through 18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund 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 only major governmental fund is the General 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 year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19 through 23 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26 through 75 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 77 through 86 of this report.

Governmental Activities

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

Net Position

	Governmental Activities	
	2018	2017 *
ASSETS		
Current and other assets	$ 34,822,826	$ 31,004,013
Capital assets, net	17,395,080	18,197,526
Total Assets	52,217,906	49,201,539
DEFERRED OUTFLOWS OF RESOURCES		
Deferral on Refunding	122,235	144,801
Pension	9,064,642	7,591,012
OPEB	459,472	72,420
Total Deferred Outflows of Resources	9,646,349	7,808,233
LIABILITIES		
Current and other liabilities	2,711,551	2,780,541
Long-term liabilities:		
Due within one year	793,180	813,886
Due in more than one year:		
Net Pension Liability	28,089,559	38,203,720
Net OPEB Liability	6,518,415	7,842,801
Other Amounts	5,488,509	6,036,070
Total Liabilities	43,601,214	55,677,018
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	12,802,224	10,894,410
Payment in Lieu of Taxes	47,213	46,796
Pension	1,230,242	-
OPEB	787,779	-
Total Deferred Inflows of Resources	14,867,458	10,941,206
NET POSITION		
Net Investment in Capital Assets	12,237,852	12,530,334
Restricted	3,723,397	2,842,922
Unrestricted	(12,565,666)	(24,981,708)
Total Net Position	$ 3,395,583	$ (9,608,452)

* Restated

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. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans 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/OPEB 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 a deficit of $1,838,071 to a deficit of $9,608,452. See Note 3 for further information regarding the restatement of net position.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's liabilities and deferred inflows exceeded assets and deferred outflows by $3,395,583.

At year-end, capital assets represented 33.31 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The District's net investment in capital assets at June 30, 2018, was $12,237,852. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the District's net position, $3,723,397 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $12,565,666.

The recording of GASB Statement No. 68 and 75 requires the readers to perform additional calculations to determine the District's total Net Position at June 30, 2018 without the recording of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (SERS & STRS) collect, hold, invest, and distribute pensions to our employee, not the District. These calculations are as follows:

Total Net Position including GASB 68 and GASB 75	$ 3,395,583
Add:	
Net Pension liability	28,089,559
Net OPEB Liability	6,518,415
Deferred Inflows - Pension	1,230,242
Deferred Inflows - OPEB	787,779
Less:	
Deferred Outflows - Pension	9,064,642
Deferred Outflows - OPEB	459,472
Total Net Position without GASB 68 and GASB 75	30,497,464

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

Changes in Net Position

	Governmental Activities	
	2018	2017
REVENUES		
Program Revenues:		
Charges for services	$ 2,310,575	$ 2,042,035
Operating grants and contributions	2,885,077	3,036,000
Total Program Revenues	5,195,652	5,078,035
General Revenues:		
Property taxes	12,114,899	11,887,041
Payments in lieu of taxes	47,213	46,796
Grants and entitlements		
not restricted to specific programs	15,007,513	15,178,554
Contributions and Donations		
not restricted to specific programs	500	15,928
Gain on Sale of Capital assets	760	469
Investment income	275,556	120,583
Miscellaneous	255,025	142,699
Total General Revenues	27,701,466	27,392,070
Total Revenues	32,897,118	32,470,105
EXPENSES		
Program Expenses:		
Instruction:		
Regular	5,830,946	12,289,382
Special	3,182,595	5,600,678
Vocational	199,489	229,432
Other	694,454	703,659
Supporting Services:		
Pupils	1,154,859	1,678,115
Instructional Staff	890,668	796,171
Board of Education	22,154	23,682
Administration	1,294,905	1,958,888
Fiscal Services	659,360	681,856
Business	130,070	64,894
Operation and Maintenance of Plant	2,982,293	2,895,707
Pupil Transportation	1,128,383	1,147,560
Central	117,178	88,882
Operation of Non-Instructional Services	913,983	1,289,958
Extracurricular Activities	501,283	738,199
Interest and Fiscal Charges	190,463	215,542
Total Expenses	19,893,083	30,402,605
Change in Net Position	13,004,035	2,067,500
Net Position - Beginning of Year, Restated	(9,608,452)	N/A
Net Position - End of Year	$ 3,395,583	$ (9,608,452)

Net position of the District's governmental activities increased $13,004,035. Total governmental expenses of $19,893,083 were offset by program revenues of $5,195,652 and general revenues of $27,701,466.

Program revenues supported 26.12 percent of the total governmental activities expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State of Ohio. These revenue sources represent 82.45 percent of total governmental revenue. Real estate property is reappraised every six years.

Total revenues increased by $427,013 or 1.32 percent in fiscal year 2018.

Total expenses decreased by $10,509,522 mainly due to the recording of GASB 68 and 75. The effects of GASB 68 and 75 distort the comparative analysis of expenses due to the significant changes made by the pension systems in recording the aforementioned GASBs. As a result of the significant adjustments to program expenses for GASB 68 and GASB 75, the following adjustments are needed:

Total 2018 program expenses under GASB 68 and 75	$	19,893,083
Negative NPL expense under GASB 68	$	8,273,290
2018 contractually required contribution - Pension		2,084,259
Negative OPEB expense under GASB 75		844,617
2018 contractually required contribution - OPEB		79,042
Adjusted 2018 program expenses		31,174,291
Total 2017 program expenses under GASB 68		30,402,605
NPL expense under GASB 68		(3,248,250)
2017 contractually required contribution - Pension		1,897,127
Adjusted 2017 program expenses		29,051,482
Increase in program expenses	$	2,122,809

See pages 12-13 for analysis of the Districts fund financial statements that do not include the pension expenses in relation to GASB Statement No. 68 and 75. See Notes 12 and 13 for more information regarding net pension liability and net OPEB liability and the related pension expense.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Total and Net Cost of Program Services

	Governmental Activities			
	Total Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2018	Net Cost of Services 2017
Instruction	$ 9,907,484	$ 18,823,151	$ 7,015,333	$ 15,931,013
Supporting Services:				
Pupils and Instructional Staff	2,045,527	2,474,286	1,428,076	1,962,124
Board of Education, Administration, Fiscal, and Business Services	2,106,489	2,729,320	2,106,489	2,729,320
Operation and Maintenance of Plant	2,982,293	2,895,707	2,967,619	2,893,408
Pupil Transportation	1,128,383	1,147,560	1,063,638	1,091,590
Central	117,178	88,882	117,178	88,882
Operation of Non-Instructional Services	913,983	1,289,958	(252,782)	150,581
Extracurricular Activities	501,283	738,199	61,417	262,110
Interest and Fiscal Charges	190,463	215,542	190,463	215,542
Total Cost of Services	$ 19,893,083	$ 30,402,605	$ 14,697,431	$ 25,324,570

The dependence upon tax revenues during fiscal year 2018 for governmental activities is apparent, as 70.81 percent of 2018 instruction activities are supported through taxes and other general revenues. The large decrease in instruction activities is due to GASB 68 and 75 as previously discussed.

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of $18,485,046, which is $2,020,242 more than last year's total of $16,464,804. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

Governmental Fund Balances

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)	Percentage Change
General	$ 15,118,414	$ 13,811,340	$ 1,307,074	9.46%
Other Governmental	3,366,632	2,653,464	713,168	26.88%
Total	$ 18,485,046	$ 16,464,804	$ 2,020,242	12.27%

General Fund

The District's General Fund balance increased $1,307,074 during 2018.

The table on the following page assists in illustrating the revenues and expenditures of the General Fund.

General Fund

	2018	2017	Change
REVENUES			
Property Taxes	$ 10,730,030	$ 10,871,012	-1.30%
Intergovernmental	15,361,801	15,506,836	-0.94%
Interest	236,323	103,480	128.38%
Tuition	1,232,795	1,164,078	5.90%
Extracurricular Activities	92,123	88,236	4.41%
Rentals	14,674	2,299	538.28%
Contributions and Donations	500	15,928	-96.86%
Transportation Fees	64,745	55,970	15.68%
Classroom Materials and Fees	99,685	88,311	12.88%
Payments in Lieu of Taxes	47,213	46,796	0.89%
Contract Services	198,097	92,567	114.00%
Miscellaneous	155,131	88,542	75.21%
Total Revenues	$ 28,233,117	$ 28,124,055	0.39%
EXPENDITURES			
Instruction	$ 17,391,910	$ 16,301,301	6.69%
Supporting Services	8,994,060	7,706,084	16.71%
Operation of Non-Instructional Services	-	64	-100.00%
Extracurricular Activities	394,788	376,327	4.91%
Capital Outlay	-	125,388	-100.00%
Debt Service	141,045	153,876	-8.34%
Total Expenditures	$ 26,921,803	$ 24,663,040	9.16%

The increase in interest and contract services is due to rising interest rates and Medicaid reimbursements. This increase was offset by the slight decrease in property taxes and intergovernmental revenue due to static valuations and state funding formulas that did not allow for growth. All other revenues remained comparable to the prior fiscal year

Instruction and supporting services expenditures increased due to additional personnel, negotiated salaries and benefits, contracted services for special needs, and technology upgrades. All other expenditures remained comparable to the prior fiscal year.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2018, the District's General Fund budget remained mainly the same. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, original and final budgeted revenues and other financing sources was $29,710,425. Final budgeted revenues and other financing sources were $824,456 more than actual revenues and other financing sources of $28,885,969.

General Fund original and final appropriations and other financing uses were $30,744,854. The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled $27,412,789, which was $3,332,065 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2018, the District had $17,935,080 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles.

The following table shows the capital asset fiscal 2018 balances compared to 2017:

Capital Assets

	Governmental Activities	
	2018	2017
Land	$ 2,031,437	$ 2,031,437
Construction in Progress	-	186,595
Land Improvements	264,755	339,476
Buildings and Improvements	12,224,316	12,946,024
Furniture and Equipment	1,930,876	2,039,410
Vehicles	943,696	654,584
Total Capital Assets	$ 17,395,080	$ 18,197,526

The decrease in capital assets, net of accumulated depreciation, was primarily caused by depreciation expense of $1,201,498 exceeding additions of $588,347. See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2018, the District had $505,000 in energy conservation bonds, $3,912,716 in refunding bonds, and $725,000 in certificate of participation outstanding. Of the total outstanding debt, $712,716 is due within one year and $4,430,000 is due in greater than one year. The following table summarizes the bonds, certificates of participation, and lease obligations outstanding.

Oustanding Debt at Year End

	Governmental Activities	
	2018	2017
School Improvement Refunding Bonds	$ 3,912,716	$ 4,552,514
Energy Conservation Bonds	505,000	540,000
Certificates of Participation	725,000	780,000
Total Outstanding Debt	$ 5,142,716	$ 5,872,514

See Note 9 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The elected members of the Board of Education govern the public finances of the Tiffin City School District. In October and May of each fiscal year, the Treasurer of the Board prepares a five-year forecast of revenues and expenditures for its general operating fund. The forecast also includes actual amounts for three prior years.

The District's most recent forecast includes actual fiscal years 2016 through 2018. All actual years reflect balanced annual budgets with revenues exceeding expenditures, the result of several past measures implemented by the District. Such measures included staffing reductions, closing two elementary school buildings, negotiating annual pay freezes and conservative increases, passing a new continuous operating levy, renewing an emergency operating levy, increasing a permanent improvement levy, and implementing in-house services for special needs students. In addition to these items, state funding increases provided additional revenues in each fiscal year from 2015 through 2017.

In order to attract and retain qualified personnel, forecasted fiscal years 2019 and 2020 include increases to all salary and wage schedules. All forecasted fiscal years also include personnel, curriculum, technology, safety, security and student well-being increases to meet the changing needs of all students. Forecasted fiscal years 2020 thru 2023 also include the continuation of much-needed tax revenue from the District's emergency operating levy, which was renewed early by the voters in May of 2018 for an extended period of ten years through 2029. While conservative revenue estimates and expected inflation result in annual operating expenditures exceeding revenues, a positive cash balance is still projected through the end of fiscal year 2022.

In regards to the District's facilities, two capital improvement projects were undertaken in fiscal year 2014, including a district-wide House Bill 264 energy improvements project and a windows replacement project at the high school. The energy project issued $645,000 of un-voted, bonded debt from 2014 to 2028. Annual payments average $56,357; however, annual savings total about $70,000. The windows project financed $955,000 with a lease purchase agreement from 2014 to 2028. Annual payments average $86,143. For future improvements, the District's five-year forecast includes the annual reservation of $500,000 beginning in 2017 and accumulation of $3,250,000 by the end of 2023 after $250,000 is utilized in fiscal year 2019 for security and technology needs.

The current financial position of Tiffin City Schools has allowed the District to maintain its strong offering of options and opportunities that individualize instruction for all students.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Sharon Perry, Treasurer, Tiffin City School District, 244 South Monroe Street, Tiffin, Ohio 44883.

Basic Financial Statements

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 20,156,925
Taxes Receivable	13,751,059
Accounts Receivable	2,210
Intergovernmental Receivable	696,843
Inventory Held for Resale	13,671
Materials and Supplies Inventory	34,309
Prepaid Items	167,809
Nondepreciable Capital Assets	2,031,437
Depreciable Capital Assets, Net	15,363,643
Total Assets	52,217,906
DEFERRED OUTFLOWS OF RESOURCES	
Deferral on Refunding	122,235
Pension	9,064,642
OPEB	459,472
Total Deferred Outflows of Resources	9,646,349
LIABILITIES	
Accounts Payable	133,862
Accrued Wages and Benefits	2,149,242
Intergovernmental Payable	406,802
Accrued Interest Payable	12,016
Matured Compensated Absences Payable	9,629
Long-term Liabilities:	
Due within one year	793,180
Due in more than one year:	
Net Pension Liability	28,089,559
Net OPEB Liability	6,518,415
Other Amounts	5,488,509
Total Liabilities	43,601,214
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	12,802,224
Payments in Lieu of Taxes	47,213
Pension	1,230,242
OPEB	787,779
Total Deferred Inflows of Resources	14,867,458
NET POSITION	
Net Investment in Capital Assets	12,237,852
Restricted:	
Capital Projects	677,641
Debt Service	1,334,382
Classroom Facilities Maintenance	994,583
Locally Funded Programs	61,185
State Funded Programs	95,495
Federally Funded Programs	11,605
Student Activities	136,374
Food Service	382,352
Other Purpose	29,780
Unrestricted	(12,565,666)
Total Net Position	$ 3,395,583

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
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	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 5,830,946	$ 1,277,739	$ 61,839	$ (4,491,368)
Special	3,182,595	159,662	1,332,997	(1,689,936)
Vocational	199,489	-	55,758	(143,731)
Other	694,454	-	4,156	(690,298)
Supporting Services:				
Pupils	1,154,859	157,543	419,368	(577,948)
Instructional Staff	890,668	23,947	16,593	(850,128)
Board of Education	22,154	-	-	(22,154)
Administration	1,294,905	-	-	(1,294,905)
Fiscal Services	659,360	-	-	(659,360)
Business	130,070	-	-	(130,070)
Operation and Maintenance of Plant	2,982,293	14,674	-	(2,967,619)
Pupil Transportation	1,128,383	64,745	-	(1,063,638)
Central	117,178	-	-	(117,178)
Operation of Non-Instructional Services	913,983	212,438	954,327	252,782
Extracurricular Activities	501,283	399,827	40,039	(61,417)
Interest and Fiscal Charges	190,463	-	-	(190,463)
Total Governmental activities	$ 19,893,083	$ 2,310,575	$ 2,885,077	(14,697,431)

General Revenues:	
PropertyTaxes levied for:	
General Purposes	10,732,061
Debt Service	690,678
Capital Outlay	561,710
Other Purposes	130,450
Payments in Lieu of Taxes	47,213
Grants & Entitlements not restricted to specific programs	15,007,513
Contributions nd Donations not restricted to specific programs	500
Investment Income	275,556
Gain on Sale of Capital Assets	760
Miscellaneous	255,025
Total General Revenues	27,701,466
Change in Net Position	13,004,035
Net Position - Beginning of Year, Restated	(9,608,452)
Net Position - End of Year	$ 3,395,583

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Equity in Pooled Cash and Cash Equivalents	$ 16,626,493	$ 3,530,432	$ 20,156,925
Inventory Held for Resale	-	13,671	13,671
Materials and Supplies Inventory	-	34,309	34,309
Accounts Receivable	2,210	-	2,210
Interfund Receivable	117,400	-	117,400
Intergovernmental Receivable	130,229	566,614	696,843
Prepaid Items	167,809	-	167,809
Taxes Receivable	11,991,698	1,759,361	13,751,059
Total Assets	$ 29,035,839	$ 5,904,387	$ 34,940,226
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 92,131	$ 41,731	$ 133,862
Accrued Wages and Benefits	1,930,403	218,839	2,149,242
Intergovernmental Payable	366,651	40,151	406,802
Matured Compensated Absences Payable	9,629	-	9,629
Interfund Payable	-	117,400	117,400
Total Liabilities	2,398,814	418,121	2,816,935
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	11,156,330	1,645,894	12,802,224
Payments in Lieu of Taxes	47,213	-	47,213
Unavailable Revenue-Delinquent Property Taxes	239,046	34,414	273,460
Unavailable Revenue - Grants	-	237,277	237,277
Unvailable Revenue-Other	76,022	202,049	278,071
Total Deferred Inflows of Resources	11,518,611	2,119,634	13,638,245
FUND BALANCES			
Nonspendable	167,809	34,309	202,118
Restricted	-	3,514,380	3,514,380
Assigned	603,145	-	603,145
Unassigned (Deficits)	14,347,460	(182,057)	14,165,403
Total Fund Balances	15,118,414	3,366,632	18,485,046
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 29,035,839	$ 5,904,387	$ 34,940,226

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances		$ 18,485,046
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		17,395,080
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:		
Delinquent Property Taxes	$ 273,460	
Intergovernmental	237,277	
Other Revenues	278,071	
Total		788,808
Bond premium on the refunding of the bonds in governmental activities is deferred and to be amortized over the remaining life of the refunded bonds.		(136,747)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(12,016)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		122,235
The net pension liability and net OPEB liability is not due and payble in the current period; therefore, the liability and related deferred outflows are not reported in governmental funds:		
Deferred Outflows - Pension	9,064,642	
Deferred Inflows - Pension	(1,230,242)	
Net Pension Liability	(28,089,559)	
Deferred Outflows - OPEB	459,472	
Deferred Inflows - OPEB	(787,779)	
Net OPEB Liability	(6,518,415)	
Total		(27,101,881)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Refunding Bonds	(3,765,000)	
Energy Conservation Bond	(505,000)	
Certificates of Participation	(725,000)	
Capital Appreciation Bonds	(147,716)	
Compensated Absences	(1,002,226)	
Total		(6,144,942)
Net Position of Governmental Activities		$ 3,395,583

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	$ 10,730,030	$ 1,370,737	$ 12,100,767
Intergovernmental	15,361,801	2,531,870	17,893,671
Interest	236,323	39,233	275,556
Tuition	1,232,795	-	1,232,795
Extracurricular Activities	92,123	303,439	395,562
Rentals	14,674	4,265	18,939
Charges for Services	-	212,438	212,438
Contributions and Donations	500	93,978	94,478
Transportation Fees	64,745	-	64,745
Classroom Materials and Fees	99,685	-	99,685
Payments in Lieu of Taxes	47,213	-	47,213
Contract Services	198,097	103,000	301,097
Miscellaneous	155,131	50,515	205,646
Total Revenues	28,233,117	4,709,475	32,942,592
EXPENDITURES			
Current:			
Instruction:			
Regular	11,776,426	107,381	11,883,807
Special	4,440,818	1,084,411	5,525,229
Vocational	291,849	-	291,849
Other	882,817	12,643	895,460
Supporting Services:			
Pupils	1,645,309	239,176	1,884,485
Instructional Staff	951,552	54,475	1,006,027
Board of Education	21,898	256	22,154
Administration	2,225,239	1,902	2,227,141
Fiscal Services	643,401	25,897	669,298
Business	128,737	1,333	130,070
Operation and Maintenance of Plant	2,077,719	182,202	2,259,921
Pupil Transportation	1,181,540	37,497	1,219,037
Central	118,665	-	118,665
Operation of Non-Instructional Services:			
Food Service Operations	-	715,765	715,765
Other Non-Instructional Services	-	375,893	375,893
Extracurricular Activities	394,788	371,677	766,465
Capital Outlay	-	6,278	6,278
Debt Service:			
Principal Retirement	90,000	540,000	630,000
Interest and Fiscal Charges	51,045	244,521	295,566
Total Expenditures	26,921,803	4,001,307	30,923,110
Excess of Revenues Over (Under) Expenditures	1,311,314	708,168	2,019,482
OTHER FINANCING SOURCES			
Sale of Capital Assets	760	-	760
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
Total Other Financing Sources	(4,240)	5,000	760
Net Change in Fund Balances	1,307,074	713,168	2,020,242
Fund Balances - Beginning of Year	13,811,340	2,653,464	16,464,804
Fund Balances - End of Year	$ 15,118,414	$ 3,366,632	$ 18,485,046

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
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		$ 2,020,242
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital Outlay	$ 401,752	
Depreciation	(1,201,498)	
Total		(799,746)
In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets.		(2,700)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	14,132	
Intergovernmental	78,238	
Other revenues	(135,665)	
Total		(43,295)
Repayment of bond principal are expenditures in the Governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		630,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
Pension		2,084,259
OPEB		79,042
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the Statement of Activities.		
Pension		8,273,290
OPEB		844,617
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.		
Compensated Absences	(186,777)	
Bond Accretion	99,798	
Accrued Interest	2,625	
Amortization of Bond Premiums	25,246	
Deferred Amount on Refunding	(22,566)	
Total		(81,674)
Change in Net Position of Governmental Activities		$ 13,004,035

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (NON-GAAP BUDGETARY 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	$ 12,571,796	$ 12,571,796	$ 11,458,957	$ (1,112,839)
Intergovernmental	15,082,138	15,082,138	15,266,569	184,431
Interest	113,828	113,828	236,323	122,495
Tuition	1,280,486	1,280,486	1,232,795	(47,691)
Extracurricular Activities	80,597	80,597	75,451	(5,146)
Rentals	2,529	2,529	14,674	12,145
Contributions and Donations	550	550	500	(50)
Transportation Fees	61,567	61,567	64,745	3,178
Payments in Lieu of Taxes	51,476	51,476	47,213	(4,263)
Classroom Materials and Fees	232	232	245	13
Contract Services	114,580	114,580	198,097	83,517
Miscellaneous	30,547	30,547	30,242	(305)
Total Revenues	29,390,326	29,390,326	28,625,811	(764,515)
Expenditures				
Current:				
Instruction				
Regular	14,124,753	14,124,753	11,726,486	2,398,267
Special	4,663,742	4,663,742	4,373,807	289,935
Vocational	297,142	297,142	290,561	6,581
Other	880,953	880,953	862,298	18,655
Supporting Services				
Pupils	1,674,882	1,674,882	1,639,497	35,385
Instructional Staff	973,957	973,957	953,522	20,435
Board of Education	35,558	35,558	18,004	17,554
Administration	2,294,766	2,294,766	2,246,775	47,991
Fiscal Services	764,791	764,791	638,242	126,549
Business	156,228	156,228	128,638	27,590
Operation and Maintenance of Plant Services	2,484,629	2,484,629	2,432,844	51,785
Pupil Transportation	1,512,937	1,512,937	1,409,746	103,191
Central	151,882	151,882	141,174	10,708
Operation of Non-Instructional Services	76	76	-	76
Extracurricular Activities	423,292	423,292	395,312	27,980
Capital Outlay	120,201	120,201	87,235	32,966
Debt Service:				
Principal	70,969	70,969	35,000	35,969
Interest & Fiscal Charges	38,141	38,141	18,810	19,331
Total Expenditures	30,668,899	30,668,899	27,397,951	3,270,948
Excess of Revenues Over Expenditures	(1,278,573)	(1,278,573)	1,227,860	2,506,433
Other Financing Sources (Uses)				
Sale of Capital Assets	517	517	760	243
Refund of Prior Year Expenditures	276,942	276,942	216,758	(60,184)
Refund of Prior Year Receipts	(955)	(955)	-	955
Advances In	42,640	42,640	42,640	-
Transfers Out	(75,000)	(75,000)	(14,838)	60,162
Total Other Financings Sources (Uses)	244,144	244,144	245,320	1,176
Net Change in Fund Balance	(1,034,429)	(1,034,429)	1,473,180	2,507,609
Fund Balance - Beginning of Year	13,854,399	13,854,399	13,854,399	-
Prior Year Encumbrances Appropriated	756,817	756,817	756,817	-
Fund Balance - End of Year	$ 13,576,787	$ 13,576,787	$ 16,084,396	$ 2,507,609

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash, Cash Equivalents, and Investments	$ 24,157	$ 79,430
Liabilities		
Due to Students	-	$ 79,430
Net Position		
Held in Trust for Scholarships	24,157	
Total Net Position	$ 24,157	

See accompanying notes to the basic financial statements.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
Deductions	
Scholarships awarded	200
Change in Net Position	(200)
Net Position Beginning of Year	24,357
Net Position End of Year	$ 24,157

See accompanying notes to the basic financial statements.

NOTE 1: DESCRIPTION OF THE SCHOOL DISTRICT

The Tiffin City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under an elected Board of Education (5 members) elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and/or federal guidelines. Average daily membership (ADM) was 2,871. The District employed 198 certified employees and 185 non-certified employees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

A. **Reporting Entity** (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative (NOACSC)
The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The Governing Board of NOACSC consists of two representatives from each county, elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent school district. Financial information is available from Ray Burden, Executive Director, at 645 South Main Street, Lima, Ohio 45804.

North Central Ohio Regional Council of Governments (NCORcog)
NCORcog is a legally separate body politic and corporate served by a eight-member Board of Directors that meets the definition of regional council of governments under Chapter 167 of the Ohio Revised Code. NCORcog is a regional source for shared services. Cost savings achieved are designed to not only maintain existing essential services, but to enhance them as well.

The initial founding members and Board of Directors are North Central Ohio ESC, Seneca County, the City of Tiffin, Clinton Township, Village of New Riegel, North Central Academy, Tiffin City School District, and Seneca East Local School District. The Superintendent of North Central Ohio ESC serves as Chair of the Board. The Chair is a non-voting member and shall only vote in the event of a tie. The Treasurer of North Central Ohio ESC serves as ex-officio/advisor for fiscal matters and is also a non-voting member. Membership is voluntary pursuant to resolution, ordinance, or other appropriate action. Application of membership shall be subject to approval by the Board of Directors. Each political subdivision shall be entitled to one vote.

North Central Ohio ESC serves as the fiscal agent. NCORcog issues a publicly available, stand-alone financial report. The report may be obtained by writing to the Treasurer of the North Central Ohio ESC, 928 W. Market Street, Tiffin, Ohio 44883.

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

A. **Reporting Entity** (Continued)

INSURANCE PURCHASING POOLS

North Central Ohio Joint Self-Insurance Association (the "Association")
The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center and five school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 11.B. for further information on this public entity risk pool.

Workers' Compensation Group Rating Program
The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program. Refer to Note 11.C. for further information on the GRP.

B. **Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the District's major governmental fund:

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

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

B. **Fund Accounting** (Continued)

GOVERNMENTAL FUNDS (Continued)

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: 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. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has one agency fund to account for student activities.

C. **Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

C. **Basis of Presentation and Measurement Focus** (Continued)

Government-wide Financial Statements (Continued)
The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows of resources and current liabilities and current deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 thirty days of fiscal year end.

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

D. **Basis of Accounting** (Continued)

Revenues - Exchange and Nonexchange Transactions (Continued)
Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal 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 year-end: property taxes available as an advance, payments in lieu of taxes, interest, tuition, grants, student fees, and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide Statement of Net Position will 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 and 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 and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, both the government-wide Statement of Net Position and the governmental fund financial statements 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, payments in lieu of taxes, pension, OPEB 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 of resources on both the government-wide Statement of Net Position and the 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, but is not limited to, delinquent property taxes, intergovernmental grants, and other revenue not available.

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

D. **Basis of Accounting** (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)
These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenue are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 22. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. See Notes 12 and 13)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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. **Budgets**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures 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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

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 and final budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original and final appropriations were adopted.

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 amount that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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

F. **Cash and Investments**

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

During fiscal year 2018, investments were limited to investments in State Treasury Asset Reserve of Ohio (STAR Ohio). The School District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $50 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing State statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $236,323, which includes $9,030 assigned from other District funds.

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

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

G. **Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

G. **Inventory** (Continued)

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. **Capital Assets**

General capital assets are those related to government 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 year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintained a capitalization threshold of $1,000 and was increased to a threshold of $5,000. 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	Governmental Activities Useful Lives
Land Improvements	15 years
Buildings and Improvements	40 years
Furniture and Equipment	8 years
Vehicles	8 years

I. **Interfund Balances**

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

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

J. **Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. **Accrued Liabilities and Long-Term Liabilities**

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 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 during the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

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

L. **Issuance Costs/Unamortized Bond Premium and Discount/Accounting Gain or Loss**

On the government-wide financial statements, issuance costs are expensed during the year in which they are incurred.

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

For advance refundings resulting in the defeasance of debt reported on the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the Statement of Net Position on the government-wide financial statements.

On the governmental and fund financial statements, bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the Statement of Net Position is presented in Note 9.

M. **Fund Balance**

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

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

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

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

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

M. **Fund Balance** (Continued)

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

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

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

N. **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service and mental health. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. **Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

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

P. **Estimates**

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

Q. **Interfund Activity**

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

R. **Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, 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.

S. **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. Neither type of transaction occurred during fiscal year 2018.

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year 2018, the District implemented Governmental Accounting Standards Board (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).*

NOTE 3: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION** (Continued)

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 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 had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$ (1,838,071)
Adjustments:	
Net OPEB liability	(7,842,801)
Deferred Outflow - Payments Subsequent to Measurement Date	72,420
Restated Net Position June 30, 2017	$ (9,608,452)

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: **ACCOUNTABILITY**

Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

Nonmajor Funds	
IDEA Part-B	$ 99,121
Title I	67,829
IDEA Preschool	5,011
Improving Teacher Quality	10,096

The General Fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 5: **DEPOSITS AND INVESTMENTS**

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

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

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

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

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

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

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

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

6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

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

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

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

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

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

A. **Cash on Hand**

At fiscal year end, the District had $3,000 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. **Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was $3,184,732. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2018, $2,772,345 of the District’s bank balance of $3,191,131 was exposed to custodial risk as discussed below, while $418,786 was covered by the FDIC.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent 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 fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The District’s financial institution had enrolled in OPCS as of June 30, 2018.

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

C. **Investments**

STAR Ohio is measured at net asset value per share. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The below tables identify the School District's recurring fair value measurement as of June 30, 2018. As previously discussed Star Ohio is reported at its net asset value.

Investment Type	Net Asset Value	Investment Maturities 6 months or less
STAR Ohio	$ 17,072,780	$ 17,072,780

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

Investment Type	Net Asset Value	% of Total
STAR Ohio	$ 17,072,780	100%

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

D. **Reconciliation of Cash and Investments to the Statement of Net Position**

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

Cash and Investments Per Note	
Carrying Amount of Deposits	$ 3,184,732
Investments	17,072,780
Cash on Hand	3,000
Total	$ 20,260,512
Cash and Investments per Statement of Net Position	
Governmental Activities	$ 20,156,925
Private-Purpose Trust Funds	24,157
Agency Funds	79,430
Total	$ 20,260,512

NOTE 6: **PROPERTY TAXES**

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

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

The District receives property taxes from Seneca County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations.

NOTE 6: **PROPERTY TAXES** (Continued)

The amount available as an advance at June 30, 2018 was $549,109 in the General Fund, $36,205 in the Bond Retirement Fund (a nonmajor governmental fund), $36,123 in the Permanent Improvement Fund (a nonmajor governmental fund), and $6,725 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was $1,278,036 in the General Fund, $82,662 in the Bond Retirement Fund (a nonmajor governmental fund), $21,820 in the Permanent Improvement Fund (a nonmajor governmental fund) and $15,831 in the Classroom Facilities Maintenance Fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and delinquent 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 year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows. On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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	$ 323,154,170	89.42%	$ 334,535,170	87.58%
Public Utility Personal	38,236,160	10.58%	47,444,930	12.42%
Total	$ 361,390,330	100.00%	$ 381,980,100	100.00%
Tax Rate per $1,000 of Assessed Valuation	$ 56.82		$ 58.37	

NOTE 7: **RECEIVABLES**

Receivables at June 30, 2018, consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the Statement of Net Position follows:

Governmental Activities		
Taxes	$	13,751,059
Accounts		2,210
Intergovernmental		696,843
Total Governmental Activities	$	14,450,112

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except the intergovernmental receivable from Buckeye Central Local School District, are expected to be collected in the subsequent year.

During fiscal year 2002, the District entered into an agreement to transfer ownership and operation of the Bloomville Elementary School to the Buckeye Central Local School District. Under this agreement, the Buckeye Central Local School District will pay a pro rata share of the District's general obligation debt, which amounts to $23,325 semi-annually including interest. The District records the receipts from this agreement in the Bond Retirement Fund (a nonmajor governmental fund).

This receivable, in the amount of $202,049 is included in the intergovernmental receivable amount reported on the Statement of Net Position.

This space intentionally left blank

NOTE 8: CAPITAL ASSETS

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

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental Activities				
Capital Assets, not being depreciated:				
Land	$ 2,031,437	$ -	$ -	$ 2,031,437
Construction in Progress	186,595	-	(186,595)	-
Total Capital Assets, not being depreciated	2,218,032	-	(186,595)	2,031,437
Capital Assets, being depreciated:				
Land Improvements	2,428,132	-	-	2,428,132
Buildings and Improvements	24,578,019	-	-	24,578,019
Furniture and Equipment	5,050,968	178,144	(31,768)	5,197,344
Vehicles	1,882,013	410,203	(168,554)	2,123,662
Total Capital Assets, being depreciated	33,939,132	588,347	(200,322)	34,327,157
Less Accumulated Depreciation:				
Land Improvements	(2,088,656)	(74,721)	-	(2,163,377)
Buildings and Improvements	(11,631,995)	(721,708)	-	(12,353,703)
Furniture and Equipment	(3,011,558)	(283,978)	29,068	(3,266,468)
Vehicles	(1,227,429)	(121,091)	168,554	(1,179,966)
Total Accumulated Depreciation	(17,959,638)	(1,201,498)	197,622	(18,963,514)
Total Capital Assets being depreciated, Net	15,979,494	(613,151)	(2,700)	15,363,643
Governmental Activities Capital Assets, Net	$ 18,197,526	$ (613,151)	$ (189,295)	$ 17,395,080

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 172,015
Supporting Services:	
Administration	6,261
Operation and Maintenance of Plant	793,798
Pupil Transportation	189,404
Operation of Non-Instructional Services:	
Food Service Operations	40,020
Total Depreciation Expense	$ 1,201,498

NOTE 9: **LONG-TERM OBLIGATIONS**

During fiscal year 2018, the following activity occurring in the governmental activities long-term obligations.

	Restated Balance as of 6/30/2017	Issuances	Retirements	Balance as of 6/30/2018	Amounts Due In One Year
School Improvement refunding bonds, 3.75 to 4.00% matures 12/01/2023	$ 272,514	$ 21,811	$ (146,609)	$ 147,716	$ 147,716
School Improvement refunding bonds, 2.00 to 3.00% matures 12/01/2023	4,280,000	-	(515,000)	3,765,000	465,000
Energy Conservation Bonds	540,000	-	(35,000)	505,000	40,000
Certificates of Partcipation	780,000	-	(55,000)	725,000	60,000
Total Net Pension Liability	38,203,720	-	(10,114,161)	28,089,559	-
Total Net OPEB Liability	7,842,801	55,130	(1,379,516)	6,518,415	-
Compensated Absences	815,449	249,054	(62,277)	1,002,226	80,464
Total Long-Term Obligations	$ 52,734,484	$ 325,995	$ (12,307,563)	$ 40,752,916	$ 793,180
Add: unamortized premium				136,747	
Total on statement of net position				$ 40,889,663	

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 12 and 13.

Compensated absences will be paid from the funds from which the employees' salaries are paid. The payments primarily will be made from the General Fund.

The school improvement general obligation bonds were issued to provide the resources for school improvement projects undertaken by the District. These bonds are a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Principal and interest payments related to these bonds are made from the Bond Retirement Fund, a nonmajor governmental fund.

On May 1, 2007, the District issued school improvement bonds (series 2007 refunding bonds) to advance refund the callable portion of the series 2001 school improvement general obligation bonds (principal of $6,200,000 refunded). The refunding issue is comprised of both current interest bonds, par value $5,990,000, and capital appreciation bonds, par value $210,000. The capital appreciation bonds mature between December 1, 2015 and December 1, 2018 at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is $1,195,000. The current interest bonds were refunded in fiscal year 2017.

Total accreted interest of $122,716 has been included on the Statement of Net Position. Principal and interest payments are paid from the Bond Retirement Fund (a nonmajor governmental fund).

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

On May 1, 2017, the District issued school improvement refunding bonds, Series 2017 of $4,280,000 with an interest rate of three percent to advance refund the callable portion of the series 2007 school improvement general obligation bonds The net proceeds from the issuance of the general obligation bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on June 1, 2017. The advance refunding met the requirements of an insubstance defeasance and the term bonds were removed from the District's government-wide financial statements.

The net carrying value of the old debt exceeded the reacquisition price by $148,562. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next seven years by 5.95% and resulted in an economic gain of $257,519.

The following is a schedule of activity for fiscal year 2018 of the refunding bonds:

	Balance as of 6/30/2017	Issuances	Retirements	Balance as of 6/30/2018	Amounts Due In One Year
Refunding Bonds, Series 2007:					
Capital Appreciation Bonds	$ 50,000	$ -	$ (25,000)	$ 25,000	$ 25,000
Accretion on Bonds	222,514	21,811	(121,609)	122,716	122,716
Total Refunding Bonds, Series 2007	272,514	21,811	(146,609)	147,716	147,716
Refunding Bonds, Series 2017:					
Current Interest Bonds	4,280,000	-	(515,000)	3,765,000	465,000
Premium	161,993	-	(25,246)	136,747	-
Total Refunding Bonds, Series 2017	4,441,993	-	(540,246)	3,901,747	465,000
Total Refunding Bonds	$ 4,714,507	$ 21,811	$ (686,855)	$ 4,049,463	$ 612,716

The following is a summary of the future debt service requirements to maturity for the refunding bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
Ending June 30,	Principal	Interest	Total	Principal	Interest	Total
2019	$ 465,000	$ 95,550	$ 560,550	$ 25,000	$ 135,000	$ 160,000
2020	630,000	86,250	716,250	-	-	-
2021	645,000	73,650	718,650	-	-	-
2022	655,000	60,750	715,750	-	-	-
2023	675,000	41,100	716,100	-	-	-
2024	695,000	20,850	715,850	-	-	-
	$ 3,765,000	$ 378,150	$ 4,143,150	$ 25,000	$ 135,000	$ 160,000

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

On December 20, 2013, the District entered into a lease agreement to provide $955,000 for the improvement and equipping of certain school buildings of the District by installations, modifications, and remodeling to reduce energy consumption. Under that agreement, which provides for fifteen consecutive one-year terms and contemplates annual renewals, the District is to make payments on June 1 and December 1 of each year through 2028 to provide for the leasing and eventual acquisition of the leased improvements and equipment. Those rental payments, which are anticipated to be made from the District's General Fund, include both principal components and interest components reflecting an interest rate of 4.20 percent per year.

The following is a summary of the future rental payments to be made under the agreement and the related principal and interest components:

Fiscal Year Ending June 30,	Certificates of Participation Principal	Interest	Total
2019	$ 60,000	$ 29,820	$ 89,820
2020	60,000	27,300	87,300
2021	60,000	24,780	84,780
2022	60,000	22,260	82,260
2023	70,000	19,635	89,635
2024-2028	375,000	53,025	428,025
2029	40,000	840	40,840
	$ 725,000	$ 177,660	$ 902,660

The renewal of the lease agreement beyond the current term and for each renewal term, and the District's obligation to pay rental payments, are subject to and dependent upon annual appropriations by the District sufficient to pay the lease payments due during that term. The District's obligation to make rental payments under the lease agreement does not constitute a debt of the District within the meaning of any constitutional or statutory limitation.

On December 12, 2013, the District issued $645,000 in energy conservation bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 3.60 percent, mature on December 1, 2028 and will be paid from the General Fund. Principal and interest payments on the bonds are due on June 1 and December 1 of each year.

NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

The following is a summary of future debt service requirements to maturity for the energy conservation bonds outstanding at June 30, 2018:

Fiscal Year	Energy Conservation Bonds		
Ending June 30,	Principal	Interest	Total
2019	$ 40,000	$ 17,460	$ 57,460
2020	40,000	16,020	56,020
2021	40,000	14,580	54,580
2022	40,000	13,140	53,140
2023	45,000	11,610	56,610
2024-2028	245,000	32,850	277,850
2029	55,000	990	55,990
	$ 505,000	$ 106,650	$ 611,650

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The Ohio Revised Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of $31,712,744 (including available funds of $1,124,535), an unvoted debt margin of $381,980 and an unvoted energy conservation debt margin of $2,932,821.

NOTE 10: **COMPENSATED ABSENCES**

A. **Vacation**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Certified and classified employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Custodial employees who are not full-time employees will earn vacation days with pay based on the number of hours worked in a given year. Employees are permitted to carry over vacation leave earned in the current year into the next year.

NOTE 10: **COMPENSATED ABSENCES** (Continued)

B. **Sick Leave**

Each full time professional staff member is entitled to 15 days sick leave with pay for each year under contract and accrues sick leave at the rate of 1 ¼ days for each calendar month under contract. Sick leave is cumulative to 265 days.

C. **Service Retirement**

Certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the certified employee's accrued but unused sick leave days at the time of retirement based on 25 percent of accumulative sick leave to a maximum of 65 days.

Non-certified employees are eligible for service retirement pay after the Board of Education accepts the employee's resignation. Service retirement pay is the non-certified employee's accrued but unused sick leave days at the time of retirement based on 25 percent of accumulative sick leave to a maximum of 66.25 days.

NOTE 11: **RISK MANAGEMENT**

A. **Property and Liability**

The District maintains comprehensive insurance coverage with a private carrier for liability, real property, building contents, boiler/machinery, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured. Real property contents are fully registered. The District has entered into contracts with various insurance agencies for the following amounts of coverage and deductions. The following is a description of the District's insurance coverages and deductibles.

Type of Coverage		Coverage	Deductible
General Liability	$ 2,000,000	General Aggregate	
	2,000,000	Products/Completed Ops. Aggregate	
	1,000,000	Personal & Advertising Injury	
	1,000,000	Each Occurrence	
	500,000	Fire Damage	
	15,000	Medical Expense	
Business Auto	1,000,000	Liability (Combined Single Limit)	
	5,000	Medical Payments	
Commercial Property	53,615,000	Blanket Buildings	2,500
	4,884,000	Blanket Business Personal Property	2,500

NOTE 11: **RISK MANAGEMENT** (Continued)

A. **Property and Liability** (Continued)

Type of Coverage		Coverage	Deductible
Employers Liability	1,000,000	Each Accident	
	1,000,000	Disease - Policy Limit	
	1,000,000	Disease - Each Employee	
	2,000,000	Aggregate	
Employee Benefits Liability	1,000,000	Each Claim	1,000
	3,000,000	Aggregate	
Sexual Misconduct	1,000,000	General Aggregate	5,000
	1,000,000	Each Occurrence	
	300,000	Innocent party Aggregate Defense Limit	5,000
Errors & Omissions	1,000,000	Each Wrongful Act	10,000
	1,000,000	Aggregate	
Data Processing Equipment	1,520,250	Hardware/Breakdown	500
Crime	$ 50,000	Employee Dishonesty	$ 500
	10,000	Bond per Employee	250
Flood:			
Tiffin Middle School	500,000	Building	2,000
	500,000	Contents	2,000
Athletic Complex/Maintenance	500,000	Building	2,000
	50,000	Contents	2,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

B. **Health Insurance**

The District is a member of the North Central Ohio Joint Self-Insurance Association (the "Association"). This organization is a public entity risk pool consisting of the District, North Central Ohio Educational Service Center, and four local school districts: Old Fort, Bettsville, Seneca East, and Mohawk. The Association was established pursuant to ORC 9.833 in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the school districts and the educational service center. The North Central Ohio Educational Service Center acts as fiscal agent for the association.

NOTE 11: **RISK MANAGEMENT** (Continued)

C. **Workers' Compensation**

For fiscal year 2018, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 12: **DEFINED BENEFIT PENSION PLAN**

A. **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.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years.

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

A. **Net Pension Liability** (Continued)

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.

B. **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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 2.5 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 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

B. **Plan Description - School Employees Retirement System (SERS)** (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 13.50 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $525,060 for fiscal year 2018. Of this amount $49,068 is reported as an intergovernmental payable.

C. **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. Effective July 1, 2017 the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

C. **Plan Description - State Teachers Retirement System (STRS)** (Continued)

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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, 2012, 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 contributions to STRS was $1,559,199 for fiscal year 2018. Of this amount $271,282 is reported as an intergovernmental payable.

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

D. **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	0.1022243%	0.09178093%	
Proportion of the Net Pension Liability Current Measurement Date	0.1105214%	0.09044814%	
Change in Proportionate Share	0.0082971%	-0.0013328%	
Proportionate Share of the Net Pension Liability	$6,603,409	$21,486,150	$ 28,089,559
Pension Expense	$8,733	($8,282,023)	($8,273,290)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 284,187	$ 829,695	$ 1,113,882
Changes of assumptions	341,468	4,699,257	5,040,725
Changes in proportion and differences between District contributions and proportionate share of contributions	547,884	277,892	825,776
District contributions subsequent to the measurement date	525,060	1,559,199	2,084,259
Total Deferred Outflows of Resources	$ 1,698,599	$ 7,366,043	$ 9,064,642
Deferred Inflows of Resources			
Differences between expected and actual experience	$ -	$ 173,170	$ 173,170
Net difference between projected and actual earnings on pension plan investments	31,347	709,070	740,417
Changes in proportion and differences between District contributions and proportionate share of contributions	-	316,655	316,655
Total Deferred Inflows of Resources	$ 31,347	$ 1,198,895	$ 1,230,242

$2,084,259 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.

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

D. **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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	$511,243	$981,220	$1,492,463
2020	586,493	1,945,797	2,532,290
2021	198,396	1,384,743	1,583,139
2022	(153,940)	296,189	142,249
Total	$1,142,192	$4,607,949	$5,750,141

E. **Actuarial Assumptions - SERS**

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

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

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

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, as assumption of 3 percent was used for COA or Ad Hoc COLA

The mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates is used to evaluate allowances to be paid. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
International 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 Stratagies	10.00	3.00
Total	100.00 %	

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

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	$9,163,816	$6,603,409	$4,458,547

F. **Actuarial Assumptions – STRS**

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

	July 1, 2017
Inflation	2.50 percent
Projected salary increases	2.50 percent at age 65 to 12.50 percent at age 20
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

	July 1, 2016
Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3.5 percent
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

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

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

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

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

NOTE 12: **DEFINED BENEFIT PENSION PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$30,799,664	$21,486,150	$13,640,909

G. **Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2018, six seasonal student workers had elected Social Security. The School District's liability is 6.2 percent of wages paid.

NOTE 13: **DEFINED BENEFIT OPEB PLANS**

A. **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.

B. **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.

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

B. Plan Description - School Employees Retirement System (SERS) (Continued)

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, .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 \$59,595.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$79,042 for fiscal year 2018. Of this amount \$61,347 is reported as an intergovernmental payable.

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

D. 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	0.10294568%	0.09178093%	
Proportion of the Net OPEB Liability Current Measurement Date	0.11139180%	0.09044814%	
Change in Proportionate Share	0.00844612%	-0.00133279%	
Proportionate Share of the Net OPEB Liability	$2,989,463	$3,528,952	$6,518,415
OPEB Expense	$242,412	($1,087,029)	($844,617)

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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	$ -	$ 203,713	$ 203,713
Changes in proportionate Share and difference between District contributions and proportionate share of contributions	176,717	-	176,717
District contributions subsequent to the measurement date	79,042	-	79,042
Total Deferred Outflows of Resources	$ 255,759	$ 203,713	$ 459,472
Deferred Inflows of Resources			
Changes of assumptions	$ 283,685	$ 284,269	$ 567,954
Net difference between projected and actual earnings on OPEB plan investments	7,894	150,836	158,730
Changes in Proportionate Share and Difference between District contributions and proportionate share of contributions	-	61,095	61,095
Total Deferred Inflows of Resources	$ 291,579	$ 496,200	$ 787,779

$79,042 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:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($40,730)	($61,318)	($102,048)
2020	(40,730)	(61,318)	(102,048)
2021	(31,430)	(61,318)	(92,748)
2022	(1,972)	(61,318)	(63,290)
2023	0	(23,609)	(23,609)
Thereafter	0	(23,606)	(23,606)
Total	($114,862)	($292,487)	($407,349)

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

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 %	

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

E. Actuarial Assumptions – SERS (Continued)

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$3,610,158	$2,989,463	$2,497,715

	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	$2,425,725	$2,989,463	$3,735,580

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS (Continued)

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS 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.

NOTE 13: **DEFINED BENEFIT OPEB PLANS** (Continued)

F. Actuarial Assumptions – STRS (Continued)

The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	$4,737,562	$3,528,952	$2,573,756

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$2,451,765	$3,528,952	$4,946,658

NOTE 14: **BUDGETARY BASIS OF ACCOUNTING**.

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,

(d) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis). The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance		
GAAP Basis	$	1,307,074
Net Adjustment for Revenue Accruals		542,962
Net Adjustment for Expenditure Accruals		207,261
Net Adjustment for Other Financing Sources		42,640
Funds with Separate Legally Adopted Budgets		(11,588)
Adjustment for Encumbrances		(615,169)
Budget Basis	$	1,473,180

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

NOTE 15: **CONTINGENCIES**

A. **Grants**

The District receives significant financial assistance from numerous federal, State, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. **Litigation**

The District is party to legal proceeding. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

C. **Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

NOTE 16: **SET-ASIDES**

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

	Capital Improvements
Set-Aside Balance as of June 30, 2017	$ -
Current Year Set-Aside Requirements	465,772
Qualifying Disbursements	(677,876)
Qualifying Offsets	(566,892)
Total	$ (778,996)
Set-Aside Balance Carried Forward to Future Fiscal Years	$ -
Set-Aside Balance as of June 30, 2018	$ -

NOTE 17: **OTHER COMMITMENTS**

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

	Outstanding Encumbrances
General Fund	$ 558,816
Other governmental funds	230,052
	$ 788,868

NOTE 18: **INTERFUND TRANSACTIONS**

A. **Interfund Transfers**

During fiscal year 2018, $5,000 was transferred from the General Fund to Other Governmental Funds to provide additional resources for current operations. On the government-wide financial statements, the transfers between governmental funds of $5,000 were eliminated since they were within governmental activities.

B. **Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 117,400

On the fund financial statements, the General Fund reported an interfund receivable and the nonmajor governmental fund reported an interfund payable of $117,400. The General Fund provided loans to the nonmajor governmental funds to eliminate negative cash balances and to provide short-term funding of operations for federal grants. The General Fund covered the cash deficits in the nonmajor governmental funds until funds are received from the grantor. The District anticipates received reimbursements from the grantor shortly after year-end.

NOTE 19: FUND BALANCES

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
Nonspendable			
Inventories	$ 167,809	$ 34,309	$ 202,118
Restricted for			
Food Service Operations	-	394,283	394,283
Federal Programs	-	1	1
Capital Projects	-	661,915	661,915
Classroom Facilities Maintenance	-	991,656	991,656
Debt Service	-	1,124,535	1,124,535
Auxiliary Services	-	144,431	144,431
District Managed Activities	-	136,374	136,374
Other Grants	-	61,185	61,185
Total Restricted	-	3,514,380	3,514,380
Assigned to			
Student Instruction	59,165	-	59,165
Student Staff and Support	543,980	-	543,980
Total Assigned	603,145	-	603,145
Unassigned (Deficit)	14,347,460	(182,057)	14,165,403
Total Fund Balances	$ 15,118,414	$ 3,366,632	$ 18,485,046

NOTE 20: TAX ABATEMENTS

The City of Tiffin has entered into agreements with third parties that abate taxes otherwise payable to the District. The City provides tax abatements through Community Reinvestment Area programs. Pursuant to Ohio Revised Code Chapter 5709, the City established four Community Reinvestment Area Program districts targeting specific portions of the City for development and redevelopment. The City provides administrative approval of tax abatement for qualifying investments. For fiscal year 2018, the School District's value of the property taxes forgone amounted to $219,282 (tax year 2017, collection year 2018).

REQUIRED SUPPLEMENTARY INFORMATION

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.1105214%	0.1022243%	0.0971476%	0.093905%	0.093905%
District's Proportionate Share of the Net Pension Liability	$6,603,409	$7,481,876	$5,543,336	$4,752,479	$5,584,229
District's Covered Payroll	$3,562,900	$3,142,907	$2,924,651	$2,728,701	$2,690,007
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.34%	238.06%	189.54%	174.17%	207.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST FIVE FISCAL YEARS (1)

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.09044814%	0.09178093%	0.09017372%	0.09013556%	0.09013556%
District's Proportionate Share of the Net Pension Liability	$ 21,486,150	$ 30,721,844	$ 24,921,378	$ 21,924,088	$ 26,115,830
District's Covered Payroll	$ 9,988,007	$ 9,725,186	$ 9,408,114	$ 9,209,362	$ 9,789,931
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	215.12%	315.90%	264.89%	238.06%	266.76%
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 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 525,060	$ 498,806	$ 440,007	$ 385,469	$ 378,198	$ 372,297	$ 390,329	$ 406,881	$ 443,363	$ 299,858
Contributions in Relation to the Contractually Required Contribution	(525,060)	(498,806)	(440,007)	(385,469)	(378,198)	(372,297)	(390,329)	(406,881)	(443,363)	(299,858)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
District Covered Payroll	$ 3,889,333	$ 3,562,900	$ 3,142,907	$ 2,924,651	$ 2,728,701	$ 2,690,007	$ 2,902,074	$ 3,236,921	$ 3,274,468	$ 3,047,337
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 1,559,199	$ 1,398,321	$ 1,361,526	$ 1,317,136	$ 1,197,217	$ 1,272,691	$ 1,361,416	$ 1,500,845	$ 1,493,646	$ 1,498,508
Contributions in Relation to the Contractually Required Contribution	(1,559,199)	(1,398,321)	(1,361,526)	(1,317,136)	(1,197,217)	(1,272,691)	(1,361,416)	(1,500,845)	(1,493,646)	(1,498,508)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 11,137,136	$ 9,988,007	$ 9,725,186	$ 9,408,114	$ 9,209,362	$ 9,789,931	$ 10,472,431	$ 11,544,962	$ 11,489,585	$ 11,526,985
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TWO FISCAL YEARS (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.1113918%	0.1029457%
District's Proportionate Share of the Net OPEB Liability	$ 2,989,463	$ 2,934,333
District's Covered Payroll	$ 3,562,900	$ 3,142,907
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.91%	93.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TWO FISCAL YEARS (1)

	2018	2017
District's Proportion of the Net OPEB Liability	0.09044814%	0.09178093%
District's Proportionate Share of the Net OPEB Liability	$ 3,528,952	$ 4,908,468
District's Covered Payroll	$ 9,988,007	$ 9,725,186
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.33%	50.47%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

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

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution (1)	$ 79,042	$ 72,420	$ 49,313	$ 70,059	$ 49,047	$ 46,981	$ 62,451	$ 96,093	$ 76,662	$ 188,971
Contributions in Relation to the Contractually Required Contribution	(79,042)	(72,420)	(49,313)	(70,059)	(49,047)	(46,981)	(62,451)	(96,093)	(76,662)	(188,971)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
District Covered Payroll	$ 3,889,333	$ 3,562,900	$ 3,142,907	$ 2,924,651	$ 2,728,701	$ 2,690,007	$ 2,902,074	$ 3,236,921	$ 3,274,468	$ 3,047,337
OPEB Contributions as a Percentage of Covered Payroll (1)	2.03%	2.03%	1.57%	2.40%	1.80%	1.75%	2.15%	2.97%	2.34%	6.20%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	$ -	$ -	$ -	$ -	$ 92,094	$ 97,899	$ 104,724	$ 115,450	$ 114,896	$ 115,270
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	(92,094)	(97,899)	(104,724)	(115,450)	(114,896)	(115,270)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 11,137,136	$ 9,988,007	$ 9,725,186	$ 9,408,114	$ 9,209,362	$ 9,789,931	$ 10,472,431	$ 11,544,962	$ 11,489,585	$ 11,526,985
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information

Net Pension Liability

Changes of benefit terms- SERS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions- SERS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018. For fiscal year 2017, 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 0.75% 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 disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%.

Changes in benefit terms – STRS

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018.

Changes in assumptions – STRS

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Net OPEB Liability

Changes in Assumptions – SERS

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

Changes in Assumptions – STRS

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.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ *Pass-Through Grantor/* Program or Cluster Title	**Federal CFDA Number**	**Federal Expenditures**	**Non-Cash Expenditures**
U.S. Department of Agriculture			
Pass Through the Ohio Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	$ 73,023	$ 0
National School Lunch Program	10.555	486,008	30,368
Total Child Nutrition Cluster		559,031	30,368
Total U.S. Department of Agriculture		559,031	30,368
U.S. Department of Education			
Pass Through the Ohio Department of Education			
Title I - Grants to Local Educational Agencies - 2017	84.010	90,769	0
Title I - Grants to Local Educational Agencies - 2018	84.010	484,321	0
Total CFDA #84.010		575,090	0
Special Education Cluster (IDEA):			
Special Education Grants to States - 2017	84.027	100,829	0
Special Education Grants to States - 2018	84.027	572,043	0
Special Education Preschool Grant - 2017	84.173	3,113	0
Special Education Preschool Grant - 2018	84.173	23,835	0
Total Special Education Cluster (IDEA)		699,820	0
Student Support and Academic Enrichment Grant	84.424	7,177	0
Improving Teacher Quality State Grants - 2017	84.367	17,302	0
Improving Teacher Quality State Grants - 2018	84.367	82,770	0
Total CFDA #84.367		100,072	0
Total U.S. Department of Education		1,382,159	0
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 1,941,190	$ 30,368

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

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Tiffin City School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Tiffin City School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Tiffin City School District.

NOTE 2: **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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: **INDIRECT COST RATE**

The Tiffin City School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2: **NONCASH SUPPORT**

The Tiffin City School District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of Board of Education
Tiffin City School District
Tiffin, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tiffin City School District, Seneca 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, and have issued our report thereon dated December 3, 2018, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 3, 2018

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of Board of Education
Tiffin City School District
Tiffin, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on Compliance for Each Major Federal Program

We have audited the Tiffin City School District, Seneca County, Ohio's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance 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 express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Tiffin City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 3, 2018

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2018(v)	Type of Major Programs' Compliance Opinions	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list): Title I - Grants to Local Educational Agencies - CFDA #84.010	
2018(viii)	Dollar Threshold: A/B Program	Type A: $750,000 Type B: All Others
2018(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

TIFFIN CITY SCHOOL DISTRICT
SENECA COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The prior audit report, as of June 30, 2017, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

This page intentionally left blank.

TIFFIN CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 3, 2019

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov