CEDAR CLIFF LOCAL SCHOOL DISTRICT

GREENE COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2018

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Education
Cedar Cliff Local School District
PO Box 45
Cedarville, OH 45314

We have reviewed the *Independent Auditor's Report* of Cedar Cliff Local School District, Greene County, prepared by Charles E. Harris & Associates, 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. Cedar Cliff Local School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 13, 2020

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY
AUDIT REPORT
For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Cedar Cliff Local School District
Greene County
PO Box 45
Cedarville, Ohio 45314

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cedar Cliff Local School District, Greene 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 an opinion 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 opinion.

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension liabilities and net OPEB assets/liabilities and pension and OPEB contributions 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 essential 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

Charles E. Harris & Associates, Inc.
December 27, 2019

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Total net position reported at June 30, 2018 increased by 34.2 percent from the beginning balance primarily due to the decrease in the net pension and net OPEB liabilities during the fiscal year.

- Total assets of governmental activities increased by approximately $493,000 (1.3 percent) from one year prior as cash and cash equivalents (including restricted cash) increased by nearly $825,000 and capital assets decreased approximately $365,000 during the year. The $3.4 million decrease in total liabilities (due to the decrease in the net pension and OPEB liabilities) was partially offset by the nearly $635,000 increase in total deferred inflows of resources (also due to the recognition of current year pension and OPEB liabilities components).

- General revenues accounted for $7.4 million or 80.6 percent of total revenue. Program specific revenues in the form of charges for services, as well as operating grants and contributions account for $1.8 million or 19.4 percent of total revenues of $9.1 million. Total revenue reported for fiscal year 2018 was $129,000 (1.4 percent) less than the amount reported for the prior year. Decreases in property tax and tuition and fees revenues were larger than the increases reported for income taxes, grants and entitlements, and other revenue accounts.

- Of the School District's $5.5 million in expenses, only $1.8 million were offset by program specific charges for services, grants or contributions. General revenues were used to cover the net expense of $3.8 million. Total expenses of the School District decreased by nearly $2.9 million compared to the prior year as the School District recorded negative pension and OPEB expense for the current fiscal year.

- The General Fund, the School District's primary operating fund, reported a 5.6 percent increase in fund balance for fiscal year 2018 compared with the 11.9 percent increase reported for the prior year. The $4.8 million, unassigned fund balance reported at June 30, 2018 represents 70.4 percent of the total expenditures reported for the General Fund for the fiscal year.

Using the Basic Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 School District's most significant funds with all other non-major funds presented in total in one column. While the General Fund is the general operating fund of the Cedar Cliff Local School District, individual fund statements are also presented for the Bond Retirement Fund since it is also considered a major governmental fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's net position and the change in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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 School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's funds begins after the statement of activities. The School District uses many funds to account for a multitude of financial transactions. All the funds of the School District can be divided into two categories: governmental and fiduciary funds. The School District does not have any funds which are classified as proprietary. The fund financial statements focus on the School District's most significant funds, and therefore only the major funds are presented separate from the other funds. For fiscal year 2018, the School District has two major governmental funds: the General and Bond Retirement Funds.

Governmental Funds

The School 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, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support programs of the School District. The accounting used for fiduciary funds is much like that in the government-wide financial statements.

The School District as a Whole

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

TABLE 1
NET POSITION

	2018	Restated 2017
Assets:		
Current and other Assets	$ 13,957,882	$ 13,099,817
Capital Assets	25,185,604	25,550,243
	39,143,486	38,650,060
Deferred Outflows of Resources		
Pension and OPEB	2,363,947	2,006,392
Other Deferred Outflows	64,316	67,890
	2,428,263	2,074,282
Liabilities:		
Current and Other Liabilities	783,020	723,308
Long-Term Liabilities:		
Due within One Year	81,026	82,530
Due in More Than One Year:		
Net Pension Liability	7,633,584	10,620,625
Net OPEB Liability	1,797,762	2,221,830
Other Long-term Liabilities	13,614,630	13,648,937
	23,910,022	27,297,230

(continued)

TABLE 1
NET POSITION
(Continued)

	2018	Restated 2017
Deferred Inflows of Resources		
Pension and OPEB	814,391	264,771
Other Deferred Inflows	2,729,798	2,644,855
	3,544,189	2,909,626
Net Position		
Net Investment in Capital Assets	11,806,357	12,114,652
Restricted	5,259,619	4,799,979
Unrestricted (Deficit)	(2,948,438)	(6,397,145)
	$ 14,117,538	$ 10,517,486

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27". For fiscal year 2018, the School 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 School 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 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 required the net pension liability and the net OPEB liability to equal the School 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 School 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 systems. 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 pension system is responsible for the administration of the plan.

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 pension 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 the 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 School 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 School 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 $12.7 million to $10.5 million.

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2018, the School District's total net position was $14.1 million. Of that amount, approximately $11.8 million was the net investment in capital assets. Another $5.3 million was subject to external restrictions upon its use. The remaining deficit of $2.9 million resulted from the School District's recognition of its proportionate share of the retirement systems' net pension and OPEB liabilities. If the components of recording the net pension and OPEB liabilities are removed from the Statement of Net Position, the School District's ending unrestricted net position would be a positive amount totaling $4.7 million. We feel this is important to mention as the management of the School District has no control over the management of the State-wide systems and or the pension or OPEB benefits offered; both of which control the net pension and OPEB liabilities which have a significant effect on the School District's financial statements.

Total assets increased by $493,426 at June 30, 2018 compared to one year prior as the increase in cash and cash equivalents, including restricted cash, of $824,662 was greater than the decrease reported in net capital assets ($364,639) for the fiscal year. The School District makes annual deposits in a debt sinking fund to accumulate sufficient resources to pay-off the $7.9 million of Qualified School Construction Bonds when they mature, as required by covenants within the issuance. At June 30, 2018 the sinking fund reported a balance of $3.2 million. Pooled cash and cash equivalents reported at the end of the fiscal year increased $344,733 from the previous year due to the result of operations.

The $3.4 million decrease in total liabilities is attributable exclusively to the decrease in the net pension and OPEB liabilities, which decreased $3.0 million and $424,068, respectively, during the fiscal year. The increases in deferred outflows and inflows of resources reported at June 30, 2018 were due to the recognition of current year pension and OPEB liabilities components associated with the plans.

Table 2 shows the changes in net position for fiscal year 2018 as compared to those for fiscal year 2017.

TABLE 2
CHANGES IN NET POSITION

	2018	Restated 2017
Revenues		
Program Revenues:		
Charges for Services	$ 974,561	$ 1,178,727
Operating Grants and Contributions	793,247	759,529
General Revenues:		
Property Taxes	2,890,878	3,028,043
Income Taxes	1,291,544	1,208,758
Grants and Entitlements	3,090,802	2,999,561
Other	90,298	85,716
Total Revenues	9,131,330	9,260,334
Program Expenses		
Instruction	2,221,966	4,366,353
Support Services:		
Pupil and Instructional Staff	588,365	820,262
Board of Education, Administration, and Fiscal	517,866	916,605
Plant Operation and Maintenance	706,383	714,921
Pupil Transportation	291,001	349,246
Central	12,415	9,974
Operation of Non-Instructional Services	174,490	184,677
Extracurricular Activities	319,878	364,905
Interest, Fiscal Charges, and Issuance Costs	698,914	700,362
Total Expenses	5,531,278	8,427,305
Change in Net Position	3,600,052	833,029
Beginning Net Position	10,517,486	N/A
Ending Net Position	$ 14,117,538	$ 10,517,486

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense equal to the contractually required contributions to the plans (GASB 27), which was $53,636. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows or resources. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $239,830. Consequently, in order to compare 2018 total program expense to 2017, the following adjustments are needed.

Total FY2018 program expenses under GASB 75	$	5,531,278
Negative OPEB expense under GASB 75		239,830
2018 contractually required contributions		23,809
Adjusted FY2018 program expenses		5,794,917
Total FY2017 program expenses under GASB 45		8,427,305
Decrease in program expenses not related to OPEB	$	(2,632,388)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for local operating funds. The overall revenue generated by a voted property tax levy does not increase solely as a result of inflation. Local taxes (property and income) made up 45.8 percent of the total revenue for governmental activities for the Cedar Cliff Local School District for fiscal year 2018, which was virtually the same percentage as reported in the prior fiscal year. Local tax revenue decreased by $54,379 due to the decrease in the property taxes amount available for advance for the current year. Grants and entitlements increased slightly as unrestricted intergovernmental (state foundation) increased during the current fiscal year. Charges for services program revenue reported for fiscal year 2018 was 17.3 percentage less than amount reported in the prior year due to the decrease realized in open enrollment tuition for the current year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows total and net cost of services for each function for last two fiscal years.

TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
GOVERNMENTAL ACTIVITIES

	2018		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	$ 2,221,966	$ 1,207,579	$ 4,366,353	$ 3,188,742
Support Services:				
Pupil and Instructional Staff	588,365	588,365	820,262	820,262
Board of Education, Administration, Fiscal and Business	517,866	517,866	916,605	916,605
Plant Operation and Maintenance	706,383	699,833	714,921	708,671
Pupil Transportation	291,001	291,001	349,246	349,246
Central	12,415	12,415	9,974	9,974
Operation of Non-Instructional Services	174,490	(6,362)	184,677	1,053
Extracurricular Activities	319,878	185,315	364,905	224,204
Interest and Fiscal Charges	698,914	267,458	700,362	270,292
Total Expenses	$ 5,531,278	$ 3,763,470	$ 8,427,305	$ 6,489,049

As shown in Table 3 above, the net cost of service decreased by $2.7 million compared with those reported for the prior fiscal year, which is consistent with the overall decrease in the functional expenses. Total expenses of the School District decreased by 34.4 percent in fiscal year 2018 compared with the previous year. The decreases in expenses for the year was attributable to the decrease in pension and OPEB expense for the year. Pension and OPEB negative expenses recognized for the fiscal year were $2.4 million and $239,830, respectively. Excluding pension and OPEB expenses, the primary driver of expenses for the School District is associated with personnel expenses (wages and fringe benefits) which reported increases for the current fiscal year.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $9.2 million and expenditures of $8.4 million which resulted in a net change of $741,526 in total governmental fund balance for the year. Revenues of the general fund decreased by $139,773 due to decreases property taxes and tuition and fees revenues for reasons explained above. Total expenditures of the general fund increased by $387,475 over those reported for fiscal year 2017 due the increased cost of personnel previously discussed, with the exception of pension expense which is only reported on the full accrual government-wide statements. The overall increase in fund balance for the general fund was slightly less for the current fiscal year compared to the prior year resulting in an ending fund balance of the general fund was $5.1 million at June 30, 2018. Approximately $4.8 million of the ending General Fund balance at year end was reported as unassigned. The ending unassigned fund balance of the general fund at June 30, 2018 represents 70.4 percent of the total general fund expenditures reported for the fiscal year, compared with 66.8 percent for the previous year.

The remaining major fund, the bond retirement fund, reported a $456,652 increase in fund balance ending the fiscal year at $3.7 million. The change in the bond retirement fund is consistent with the results reported in the prior year and resulted from the School District making the scheduled payments to the sinking fund which was established in accordance with the bond covenants to accumulate resources to pay future debt obligations as they come due.

General Fund Budgeting Highlights

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

For the general fund, budget basis revenue was $6.7 million as compared to the original budget estimates of $6.5 million. The School District conservatively estimated the property tax revenues at the beginning of the school year. In addition, income taxes, intergovernmental, and interest revenue reported was more than that anticipated at the start of the fiscal year. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were $6.4 million; 4.6 percent less than the total anticipated in the original budgeted appropriations. The budgeted amounts for the general fund did not change during the current fiscal year.

The actual budgetary fund balance for the general fund reported at the end of the fiscal year was $5.1 million compared with the $4.5 million anticipated when the original budget was developed. The final, adjusted budget adopted for the fiscal year anticipated an ending general fund balance of $4.5 million on a budget basis which was $560,004 less than the actual ending budgetary fund balance.

Capital Assets

At the end of fiscal year 2018, the School District had $25.2 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and educational media in governmental activities. Table 4 shows fiscal year 2018 balances compared to 2017 balances; however for greater detail readers should review Note 10 to the basic financial statements.

TABLE 4
CAPITAL ASSETS AT JUNE 30

	2018	2017
Land	$ 122,820	$ 122,820
Land Improvements	781,388	802,840
Buildings and Improvements	22,761,998	23,032,309
Furniture, Fixtures and Equipment	991,173	1,110,714
Vehicles	444,215	377,855
Educational Media	84,010	103,705
Total Net Capital Assets	$ 25,185,604	$ 25,550,243

Overall, net capital assets decreased $364,639 from fiscal year 2017 amounts. This decrease in net capital assets results from the current year depreciation expense being a greater amount than current year acquisition of capital assets. Depreciation expense for the fiscal year was $547,837 with total additions to capital assets amounting to $186,907. Net book value of capital assets disposed of during the year was $3,709.

Cost associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item, is included within the plant operation and maintenance function.

Debt Administration

At June 30, 2018, the School District had $11.3 million in general obligation bonds and $2.0 million in capital lease obligation outstanding. Of the $13.3 in total general obligations outstanding at fiscal year-end, only $55,000 is due for payment during the next fiscal year. Payments for the Qualified School Construction Bonds are being deposited into a sinking fund until the first payment becomes due in fiscal year 2027.

At June 30, 2018, the School District's overall legal debt margin was approximately $2.0 million and the total unvoted debt margin was $106,267.

For more detailed disclosures regarding the School District's debt obligations the reader should refer to Notes 15 and 16 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Joy Kitzmiller, Treasurer at Cedar Cliff Local School District, P.O. Box 45, Cedarville, OH 45314 or email at jkitzmiller@ccliff.org.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Net Position
June 30, 2018

		Governmental Activities
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	$	7,196,593
Materials and Supplies Inventory		8,028
Income Taxes Receivable		577,794
Property Taxes Receivable		2,909,487
Accounts Receivable		9,286
Intergovernmental Receivable		40,192
Prepaid Items		49,114
Restricted Assets:		
Cash and Cash Equivalents with Fiscal Agent		3,167,388
Capital Assets:		
Non Depreciable Assets		122,820
Depreciable Assets		25,062,784
Total Assets		39,143,486
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge on Refunding		64,316
Pension and OPEB		2,363,947
Total Deferred Outflows of Resources		2,428,263
LIABILITIES:		
Accounts Payable		25,914
Accrued Wages and Benefits		560,766
Intergovernmental Payable		125,236
Matured Compensated Absences		12,384
Accrued Interest Payable		58,720
Long-Term Liabilities:		
Due Within One Year		81,026
Due In More Than One Year:		
Net OPEB Liability		1,797,762
Net Pension Liability		7,633,584
Other Amounts Due in More than One Year		13,614,630
Total Liabilities		23,910,022
DEFERRED INFLOWS OF RESOURCES:		
Property Taxes not Levied to Finance Current Year Operations		2,729,798
Pension and OPEB		814,391
Total Deferred Inflows of Resources		3,544,189
NET POSITION:		
Net Investment in Capital Assets		11,806,357
Restricted		5,259,619
Unrestricted (Deficit)		(2,948,438)
Total Net Position	$	14,117,538

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 1,355,954	$ 750,020	$ 75,789	$ (530,145)
Special	558,889	-	188,578	(370,311)
Student Intervention Services	2,821	-	-	(2,821)
Other	304,302	-	-	(304,302)
Support Services:				
Pupils	381,289	-	-	(381,289)
Instructional Staff	207,076	-	-	(207,076)
Board of Education	12,059	-	-	(12,059)
Administration	225,720	-	-	(225,720)
Fiscal	280,087	-	-	(280,087)
Operation and Maintenance of Plant	706,383	6,550	-	(699,833)
Pupil Transportation	291,001	-	-	(291,001)
Central	12,415	-	-	(12,415)
Non-Instructional Services	174,490	103,281	77,571	6,362
Extracurricular Activities	319,878	114,710	19,853	(185,315)
Interest and Fiscal Charges	698,914	-	431,456	(267,458)
Total	$ 5,531,278	$ 974,561	$ 793,247	(3,763,470)
General Revenues:				
Property Taxes Levied for:				
General Purposes				2,147,758
Debt Service				544,260
Capital Outlay				198,860
Income Taxes Levied for:				
General Purposes				1,033,235
Capital Outlay				214,431
Facility Maintenance				43,878
Grants, Entitlements and Contributions not Restricted to Specific Programs				3,090,802
Investment Earnings				41,288
Miscellaneous				49,010
Total General Revenues				7,363,522
Change in Net Position				3,600,052
Net Position, Beginning of Year - Restated				10,517,486
Net Position, End of Year				$ 14,117,538

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$ 5,204,775	$ 511,313	$ 1,480,505	$ 7,196,593
Receivables:				
Property Taxes	2,160,075	549,734	199,678	2,909,487
Income Taxes	462,235	-	115,559	577,794
Accounts	8,761	-	525	9,286
Intergovernmental	11,692	-	28,500	40,192
Materials and Supplies Inventory	4,350	-	3,678	8,028
Prepaid Items	44,038	229	4,847	49,114
Due from Other Funds	2,856	-	-	2,856
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	-	3,167,388	-	3,167,388
Total Assets	$ 7,898,782	$ 4,228,664	$ 1,833,292	$ 13,960,738
LIABILITIES:				
Accounts Payable	$ 22,278	$ -	$ 3,636	$ 25,914
Accrued Wages and Benefits	531,842	-	28,924	560,766
Intergovernmental Payable	120,721	-	4,515	125,236
Due to Other Funds	-	-	2,856	2,856
Matured Compensated Absences	12,384	-	-	12,384
Total Liabilities	687,225	-	39,931	727,156
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes not Levied to Finance Current Year Operations	2,027,835	514,501	187,462	2,729,798
Unavailable Revenue	105,831	6,804	20,716	133,351
Total Deferred Inflows of Resources	2,133,666	521,305	208,178	2,863,149
FUND BALANCES:				
Nonspendable	48,388	229	8,525	57,142
Restricted	-	3,707,130	1,583,438	5,290,568
Committed	105,718	-	-	105,718
Assigned	167,076	-	-	167,076
Unassigned (Deficit)	4,756,709	-	(6,780)	4,749,929
Total Fund Balances	5,077,891	3,707,359	1,585,183	10,370,433
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,898,782	$ 4,228,664	$ 1,833,292	$ 13,960,738

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2018

Total Governmental Fund Balances	$ 10,370,433
Amounts reported for governmental actvities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	25,185,604
Certain receivables are not available to provide current financial resources and are reported as deferred inflows of resources in governmental funds:	
Property Taxes Receivable	34,704
Income Taxes Receivable	91,664
Accounts Receivable	6,983
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension and OPEB	2,363,947
Deferred Inflows - Pension and OPEB	(814,391)
Net OPEB Liability	(1,797,762)
Net Pension Liability	(7,633,584)
Some liabilities and deferred outflows of resources are not due and payable in the current period and therfore are not reported in the funds. Those items consist of:	
Capital Lease Payable	(1,980,000)
General Obligation Bonds Payable	(11,290,000)
Accrued Interest Payable	(58,720)
Deferred Charge on Refunding	64,316
Premium on Bonds	(173,563)
Compensated Absences Payable	(252,093)
Net Position of Governmental Activities	$ 14,117,538

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

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

	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Property Taxes	$ 2,158,665	$ 545,387	$ 199,880	$ 2,903,932
Income Taxes	1,033,265	-	258,309	1,291,574
Intergovernmental	2,989,672	506,027	380,076	3,875,775
Tuition and Fees	715,665	-	-	715,665
Interest	20,580	15,668	5,040	41,288
Extracurricular Activities	51,561	-	97,699	149,260
Customer Services and Sales	-	-	103,281	103,281
Gifts and Donations	5,049	-	18,187	23,236
Miscellaneous	55,560	-	-	55,560
Total Revenues	7,030,017	1,067,082	1,062,472	9,159,571
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,718,376	-	171,803	2,890,179
Special	744,117	-	190,496	934,613
Student Intervention Services	2,821	-	-	2,821
Other	303,587	-	-	303,587
Support Services:				
Pupils	518,359	-	-	518,359
Instructional Staff	306,278	-	3,449	309,727
Board of Education	12,059	-	-	12,059
Administration	631,081	-	4,515	635,596
Fiscal	300,058	5,166	6,442	311,666
Operation and Maintenance of Plant	607,187	-	134,708	741,895
Pupil Transportation	294,776	-	94,176	388,952
Central	12,415	-	-	12,415
Non-Instructional Services	-	-	173,018	173,018
Extracurricular Activities	257,463	-	102,964	360,427
Capital Outlay	50,255	-	17,093	67,348
Debt Service:				
Principal	-	-	50,000	50,000
Interest	-	605,264	100,119	705,383
Total Expenditures	6,758,832	610,430	1,048,783	8,418,045
Net Change in Fund Balances	271,185	456,652	13,689	741,526
Fund Balance, Beginning of Year	4,806,706	3,250,707	1,571,494	9,628,907
Fund Balance, End of Year	$ 5,077,891	$ 3,707,359	$ 1,585,183	$ 10,370,433

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE 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

Total Net Change in Fund Balances - Total Governmental Funds	$ 741,526
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 are allocated over their estimated useful lives as depreciation expense and report a gain or loss on the disposal of capital assets:	
Depreciation Expense	(547,837)
Capital Asset Additions	186,907
Carrying Value of Capital Assets Disposed of	(3,709)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property Taxes	(13,054)
Income Taxes	(30)
Intergovernmental Grants	(14,962)
Tuition and Fees	(195)
Repayment of long-term obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net position:	
Capital Lease Principal Payments	50,000
Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued Interest Payable	125
Amortization of Bond Premium	9,918
Amortization of Deferred Charge on Refunding	(3,574)
Compensated Absences Payable	(24,107)
Contractually required contributions to pension and OPEB plans are reported as expenditures in governmental funds, however, the statement of activities reports these amounts as deferred outflows of resources.	
Pension Plans	547,504
OPEB Plans	23,809
Except for amounts reported as deferred inflows and outflows of resources related to pension and OPEB, changes in the net pension and OPEB liabilities are reported as expenses in the statement of activities.	
Pension Plans	2,407,901
OPEB Plans	239,830
Change in Net Position of Governmental Activities	$ 3,600,052

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	$ 1,894,000	$ 1,894,000	$ 1,952,673	$ 58,673
Income Taxes	964,463	964,463	983,030	18,567
Intergovernmental	2,807,180	2,807,180	2,955,916	148,736
Tuition and Fees	789,035	789,035	75,855	(713,180)
Interest	33,660	33,660	717,121	683,461
Rent	6,400	6,400	6,550	150
Gifts and Donations	100	100	-	(100)
Miscellaneous	1,000	1,000	621	(379)
Total Revenues	6,495,838	6,495,838	6,691,766	195,928
Expenditures:				
Current:				
Instruction:				
Regular	2,745,781	2,745,781	2,682,471	63,310
Special	678,778	678,778	649,727	29,051
Student Intervention Services	2,821	2,821	2,821	-
Other	42,732	42,732	121,451	(78,719)
Support Services:				
Pupils	438,247	438,247	481,708	(43,461)
Instructional Staff	317,817	317,817	314,903	2,914
Board of Education	19,340	19,340	15,007	4,333
Administration:	617,430	617,430	610,617	6,813
Fiscal	303,324	303,324	295,229	8,095
Operation and Maintenance of Plant	704,343	704,343	629,113	75,230
Pupil Transportation	308,550	308,550	291,504	17,046
Central	8,160	8,160	11,079	(2,919)
Extracurricular Activities	244,366	244,366	235,309	9,057
Capital Outlay	271,148	271,148	50,255	220,893
Total Expenditures	6,702,837	6,702,837	6,391,194	311,643
Excess of Revenues Over (Under) Expenditures	(206,999)	(206,999)	300,572	507,571
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	30,000	30,000	57,433	27,433
Transfers Out	(25,000)	(25,000)	-	25,000
Total Other Financing Sources (Uses)	5,000	5,000	57,433	52,433
Net Change in Fund Balance	(201,999)	(201,999)	358,005	560,004
Fund Balance, Beginning of Year	4,659,362	4,659,362	4,659,362	-
Prior Year Encumbrances Appropriated	87,476	87,476	87,476	-
Fund Balance, End of Year	$ 4,544,839	$ 4,544,839	$ 5,104,843	$ 560,004

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Fiduciary Net Position
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 16,999	$ 44,036
Prepaid Items	-	385
Total Assets	16,999	44,421
LIABILITIES:		
Current Liabilities:		
Due to Students	-	44,421
Total Liabilities	-	$ 44,421
NET POSITION:		
Held in Trust for Scholarships	16,999	
Total Net Position	$ 16,999	

See accompanying notes to the basic financial statements.

CEDAR CLIFF LOCAL SCHOOL DISTRICT
GREENE COUNTY, OHIO

Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	$ 10,000
Total Additions	10,000
Deductions:	
Payments in Accordance with Trust Agreements	5,000
Total Deductions	5,000
Change in Net Position	5,000
Net Position at Beginning of Year	11,999
Net Position at End of Year	$ 16,999

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Cedar Cliff Local School District (the "School District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies.

The School District serves an area of approximately 49 square miles. It is staffed by 25 noncertified employees, 46 certified full-time teaching personnel, and 9 administrators, who provide services to 605 students and other community members. The School District currently operates one instructional/support facility.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 17 and 18 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
- Miami Valley Educational Computer Association (MVECA)
- Southwestern Ohio Educational Purchasing Council (SOEPC)
- Southwestern Ohio Instructional Technology Association (SOITA)
- Greene County Career Center

Insurance Purchasing Pool:
- Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Program (GRP)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The School District, however, has no activities which are reported as business-type.

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

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

Bond Retirement Fund - The bond retirement fund is used to account for financial resources that are restricted, committed, or assigned for expenditures for the payment of general long-term debt principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The School District’s only trust fund is a private purpose trust which accounts for various college scholarship programs for students. The agency fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The student managed activities agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Measurement Focus

Government-wide Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources 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 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 have a measurement focus.

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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty (60) days of fiscal year end.

Non-exchange transactions, in which the School 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 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, income taxes, grants, charges for services, and student fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charge on refunding, 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 further in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and student fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 12 and 13).

Expenditures/Expenses

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. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

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

E. Budget Data

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2018.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents". The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to $20,580; which includes $5,099 assigned from other funds.

During fiscal year 2018, the School District held investments in money market accounts, negotiable certificates of deposit, federal agency securities and State Treasury Asset Reserve (STAR) of Ohio. Investments are reported at fair value, which is based on quoted market prices. An analysis of the School District's investments at fiscal year-end is provided in Note 6.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed rather than when purchased.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method and recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the Bond Retirement Fund include amounts required to be deposited in a mandatory sinking fund by the School District's Qualified School Construction Bond agreement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

The School District's only capital assets are general capital assets. General capital assets 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 School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost 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 for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

Description	Estimated Lives
Land Improvements	20 years
Buildings	99 years
Building Improvements	20 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	10 - 20 years
Educational Media	6 - 15 years

K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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 and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and from current financial resources, are reported as obligations of the funds. However, claims and judgments, 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 fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

The capital lease, general obligation bonds, and accrued interest that will be paid from governmental funds are recognized as a liability in the fund financial statements when payment is due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts, if any, are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

N. Net Pension/Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and 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 and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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 placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District's governing board. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the policies of the Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

P. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

Q. Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2018, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions,* No. 81, *Irrevocable Split-Interest*, No. 85, *Omnibus 2017*, and No. 86, *Certain Debt Extinguishment Issues*.

GASB Statement No. 75 replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB provided to employees. Statement 75 also requires governments in all types of OPEB plans to provide more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The implementation of GASB Statement No. 75 required the School District to restate beginning net position of governmental activities at July 1, 2017.

GASB Statement No. 81 requires the government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB Statement No. 85 establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and applications, and postemployment benefits (pension and other postemployment benefits). GASB Statement No. 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the purpose of extinguishing debt. The implementation of these Standards had no effect on the School District's financial statements.

The implementation of GASB Statement No. 75 for fiscal year 2018 had the following effect on the governmental activities net position as reported June 30, 2017:

Net Position at June 30, 2017 as previously reported	$ 12,721,961
Adjustments:	
Net OPEB Liability at June 30, 2017	$ (2,221,830)
Deferred Outflows - Payments Subsequent to Measurement Date	17,355
Net Position at June 30, 2017 as restated	$ 10,517,486

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

NOTE 4 – ACCOUNTABILITY

At June 30, 2018, the Title VI-B Grant special revenue fund had a deficit fund balance of $6,780. The general fund is liable for any deficit in other funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP) and Actual – 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 GAAP basis for the general fund are as follows:

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

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

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as restricted, committed or assigned fund balance for governmental fund types (GAAP basis).

4. Certain Other Financing Sources reported on the budget basis are not reported within the fund on the GAAP basis.

5. Some funds are reported as part of the general fund (GAAP basis) as opposed to the general fund being reported alone (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance General Fund	
GAAP Basis	$ 271,185
Revenue Accruals	33,231
Expenditure Accruals	56,642
Encumbrances	(46,044)
Other Financing Sources	57,433
Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes	(14,442)
Budget Basis	$ 358,005

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in a "cash" or "near-cash" statues for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – 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 five years from the date of deposit, or by savings or deposit accounts, including passbook accounts. Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Sallie Mae. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed 270 days; and
9. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed 180 days.

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. Investments may only be made through specified dealers and institutions.

Cash on Hand

At fiscal year-end, the School District had $50 in un-deposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents".

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Restricted Assets: Cash and Cash Equivalents with Fiscal Agent

At fiscal year-end, the School District had $3,167,388 shown as restricted assets: cash and cash equivalents with fiscal agent in the bond retirement fund. This restricted cash is the balance in the mandatory sinking fund required by the Qualified School Construction Bonds.

Deposits

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. The School District's policy for deposits is that any balance not covered by depository insurance will be collateralized by the financial institution with pledged securities. Ohio law requires that deposits either be insured or be protected by:

> Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At fiscal year-end, none of the School District's bank deposits was exposed to custodial credit risk, while $272,495 was covered by the FDIC. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments

At June 30, 2018, the School District's investments consisted of the following:

Investment Type	Fair Value	Maturity Dates in Years: Less than 1	1 to 3	More than 3	% of Portfolio
Negotiable CDs	$ 3,914,836	$ 998,293	$ 1,939,168	$ 977,375	68.5%
FHLB	987,485	-	-	987,485	17.3%
STAR Ohio	779,491	779,491	-	-	13.6%
Money Market Mutual	33,459	33,459	-	-	0.6%
Total	$ 5,715,271	$ 1,811,243	$ 1,939,168	$ 1,964,860	

Interest Rate Risk: The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt, and that an investment must be purchased with the expectation that it will be held to maturity. All investments of the School District mature within five years.

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The School District's investments carry the following ratings by Standard & Poor's: FHLB - AA+, money market mutual fund – AAA, and STAR Ohio - AAAm. The School District's negotiable certificates of deposit were not rated. The School District's investment policy limits investments to those authorized by State statue.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. $3,914,836 of the negotiable certificate of deposits was covered by FDIC. The School District's investment policy does not address investment custodial risk beyond the requirement the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer.

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

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance for all deposits or withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transactions 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 participants will be combined for these purposes.

Fair Value Measurement

The School District's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 –	Investments reflect prices quoted in active markets.
Level 2 –	Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 –	Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment's risk. The School District's investments in negotiable certificates of deposits, federal agency obligations, and money market mutual fund are categorized as level 2 – observable inputs, as of June 30, 2018.

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers.

NOTE 7 - PROPERTY TAXES

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

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

Public utility real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes, which, became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five percent of true value.

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

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

	2018 First Half Collections		2017 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate property	$ 100,274,040	94.36%	$ 102,280,830	94.68%
Public utility real property	5,992,990	5.64%	5,742,130	5.32%
Total	$ 106,267,030	100.00%	$ 108,022,960	100.00%
Tax rate per $1,000 of assessed valuation	$40.86		$40.33	

Accrued property taxes receivable includes real property and public utility 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 of resources. The amount available as an advance at June 30, 2018, was $106,723 in the general fund, $28,429 in the bond retirement fund, and $9,833 in the permanent improvement fund.

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

NOTE 8 – INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. The School District's residents also approved a .25% income tax for capital projects purposes in November 2009 with an effective date of January 2010. The School District authorized an annual portion of the .25% income tax to be earmarked to satisfy the maintenance of completed facilities in the Maintenance Fund. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of $1,033,265 and $258,309 was credited to the general and non-major governmental funds, respectively, during fiscal year 2018.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2018, consisted of current and delinquent property taxes, income taxes, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Miscellaneous amounts due from other governments	$ 11,692
Non-major Govermental Funds:	
Title VI-B Grant	13,568
Title I Grant	4,932
Title IV-A Grant	10,000
Non-major Governmental Funds	28,500
Total Intergovernmental Receivables	$ 40,192

NOTE 10 - CAPITAL ASSETS

A summary of the School District's general capital assets for fiscal year 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets, not being depreciated				
Land	$ 122,820	$ -	$ -	$ 122,820
Capital Assets, being depreciated				
Land Improvements	1,027,136	34,995	-	1,062,131
Buildings and Improvements	25,559,919	-	-	25,559,919
Furniture, Fixtures and Equipment	2,039,388	57,736	(5,495)	2,091,629
Vehicles	610,712	94,176	-	704,888
Educational Media	272,794	-	-	272,794
Total Depreciable Capital Assets	29,509,949	186,907	(5,495)	29,691,361

(Continued)

NOTE 10 - CAPITAL ASSETS (Continued)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Less: Accumulated Depreciation				
Land Improvements	(224,296)	(56,447)	-	(280,743)
Buildings and Improvements	(2,527,610)	(270,311)	-	(2,797,921)
Furniture, Fixtures and Equipment	(928,674)	(173,568)	1,786	(1,100,456)
Vehicles	(232,857)	(27,816)	-	(260,673)
Educational Media	(169,089)	(19,695)	-	(188,784)
Total Accumulated Depreciation	(4,082,526)	(547,837) *	1,786	(4,628,577)
Depreciable Capital Assets, Net	25,427,423	(360,930)	(3,709)	25,062,784
Total Capital Assets, Net	$ 25,550,243	$ (360,930)	$ (3,709)	$ 25,185,604

*** - Depreciation expense was charged to governmental functions as follows:**

Instruction:	
Regular	$ 451,414
Special	610
Support Services:	
Instructional support	30,945
Operation and maintenance of plant	9,736
Pupil transportation	25,283
Non-instructional services	10,247
Extracurricular activities	19,602
Total Depreciation Expense	$ 547,837

NOTE 11 - RISK MANAGEMENT

Workers' Compensation

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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 the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - RISK MANAGEMENT (Continued)

Property and Liability

The School District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2018, the School District contracted with the Liberty Mutual Insurance Company for property, fleet insurance, liability insurance and inland coverage.

Coverage limits provided by Liberty Mutual Insurance as of June 30, 2018 follows:

Buildings and Contents - replacement cost ($2,500 deductible)	$ 41,586,637
Inland Marine Coverage ($250/$500 deductible)	440,514
Boiler and Machinery ($1,000 deductible)	41,586,637
Monies and Securities	10,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
General Liability Per Occurrence	1,000,000
Aggregate	2,000,000
Umbrella	3,000,000
Violent Event Response Coverage	1,000,000
Data Compromise	50,000

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for any part of the last three years.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

School 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	Age 65 with 5 years of service credit; or any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CIP-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CIP-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $145,999 for fiscal year 2018. Of this amount, $28,196 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

School 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% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with 5 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14%-member rate goes to the DC Plan and 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

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

The School District's contractually required contribution to STRS was approximately $401,505 for fiscal year 2018. Of this amount, $70,940 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 1,863,975	$ 5,769,609	$ 7,633,584
Proportion of the net pension liability	0.0311974%	0.0242878%	
Change in proportionate share	0.0004873%	-0.0007262%	
Pension (negative) expense	$ (75,635)	$ (2,332,266)	$ (2,407,901)

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 80,219	$ 222,795	$ 303,014
Change in assumptions	96,387	1,261,876	1,358,263
Change in School District's proportionate share and difference in employer contributions	65,196	-	65,196
School District contributions subsequent to the measurement date	145,999	401,505	547,504
Total	$ 387,801	$ 1,886,176	$ 2,273,977
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ (46,500)	$ (46,500)
Net difference between projected and actual earnings on pension plan investments	(8,848)	(190,403)	(199,251)
Change in School District's proportionate share and difference in employer contributions	(45,977)	(289,619)	(335,596)
Total	$ (54,825)	$ (526,522)	$ (581,347)

$547,504 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ 65,719	$ 158,111	$ 223,830
2020	132,021	417,125	549,146
2021	32,690	324,738	357,428
2022	(43,453)	58,175	14,722
	$ 186,977	$ 958,149	$ 1,145,126

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.

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment rate of return	7.50 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal (level percent of payroll)

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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 asset class are summarized in the following table:

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5%). 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 2,586,713	$ 1,863,975	$ 1,258,534

Actuarial Assumptions - STRS

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

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, including inflation	7.45%, net of investment expenses	7.75%, net of investment expenses

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Assumptions	July 1, 2017 Valuation	July 1, 2016 Valuation and Prior
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments (COLA)	0.00% effective July 1, 2017	2.00% simple for members retiring August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

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 disability 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.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return **
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	6.84%

** 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 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 PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.45% 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% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 8,270,539	$ 5,769,609	$ 3,662,952

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2018, four of the members of the Board of Education has elected social security. The Board's liability is 6.2% of wages paid.

NOTE 13 – POSTEMPLOYMENT BENEFITS

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 School 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, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

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

GASB Statement No. 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 contractually-required OPEB contributions outstanding at the end of the fiscal year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description—The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5% 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, the minimum compensation amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was $18,402.

The surcharge, added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $23,809 for fiscal year 2018. Of this amount $1,044 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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% of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School 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
Proportionate share of the net OPEB liability	$ 850,143	$ 947,619	$ 1,797,762
Proportion of the net OPEB liability	0.0316776%	0.0242878%	
Change in proportionate share	0.0006614%	-0.0007262%	
OPEB (negative) expense	$ 54,881	$ (294,711)	$ (239,830)

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2018, the School 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	$ -	$ 54,702	$ 54,702
Change in School District's proportionate share and difference in employer contributions	11,459	-	11,459
School District contributions subsequent to the measurement date	23,809	-	23,809
Total	$ 35,268	$ 54,702	$ 89,970
Deferred Inflows of Resources:			
Net difference between projected and actual earnings on OPEB plan investments	$ (2,244)	$ (40,504)	$ (42,748)
Change in assumptions	(80,675)	(76,332)	(157,007)
Change in School District's proportionate share and difference in employer contributions	-	(33,289)	(33,289)
Total	$ (82,919)	$ (150,125)	$ (233,044)

$23,809 reported as deferred outflows of resources related to OPEB resulting from School 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 and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$ (25,639)	$ (19,279)	$ (44,918)
2020	(25,639)	(19,279)	(44,918)
2021	(19,621)	(19,279)	(38,900)
2022	(561)	(19,279)	(19,840)
2023	-	(9,153)	(9,153)
2024	-	(9,154)	(9,154)
	$ (71,460)	$ (95,423)	$ (166,883)

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.

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

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 consider the employee's entire career with the employer and 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, prepared as of June 30, 2017, are presented below:

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

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. PR-2000 Disabled Mortality Table with 90% for males rate and 100% for female rates set back five years.

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%, 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.

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

The target 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 in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from 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% 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 School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and 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 calculated using the discount rate of 3.63%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) and one percentage point higher (4.63%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	$ 1,026,656	$ 850,143	$ 710,300

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.5% decreasing to 4.0%) and one percentage point higher (8.5% decreasing to 6.0%) than the current rates.

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

	1% Decrease (6.50% decreasing to 4.00%)	Current Trend Rate (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
School District's proportionate share of the net OPEB liability	$ 689,827	$ 850,143	$ 1,062,324

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%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended discount rate of return	4.13%
Investment rate of return	7.45%, net of investment expenses, including inflation
Health care cost trends	6.00% - 11.00% initially, 4.50% ultimate
Cost-of-living adjustments	0.00% effective July 1, 2017

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% 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. For disabled retirees, 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.

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% to 4.13% 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% to 7.45%. 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 – POSTEMPLOYMENT BENEFITS (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% 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 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%	6.84%

** 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 investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) and one percentage point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower and 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	$ 1,272,163	$ 947,619	$ 691,123
	1% Decrease In Trend Rates	**Current Trend Rates**	**1% Increase In Trend Rates**
School District's proportionate share of the net OPEB liability	$ 658,365	$ 947,619	$ 1,328,311

NOTE 14 – OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for classified staff and certain administrators, and 240 days for certified staff. Upon retirement, payment is made for one fourth of accrued, but unused sick leave credit to a maximum of 62.5 days for all certified employees and certain administrators, and 60 days for classified employees.

Insurance Benefits

The School District provides life insurance, dental insurance, and accidental death and dismemberment insurance to most employees through CoreSource. Medical/surgical benefits are provided through United Health Care of Ohio. Vision insurance is provided through Vision Service Plan of Ohio. Dental insurance is provided through Delta Dental.

NOTE 15 – CAPITAL LEASE

During 2011, the School District entered into a lease agreement for a new building, metal roof, geothermal HVAC system, and terrazzo floors. This lease agreement meets the criteria of a capital lease as the risks and benefits of ownership transfers to the leasing party. The capital lease obligation is recorded on the government-wide statements. Principal payments reported in the governmental fund for fiscal year 2018 totaled $50,000 and are paid out of the permanent improvement fund.

The lease agreement provides for minimum annual rental payments as follows:

Fiscal Year Ended June 30,	
2019	$ 153,475
2020	156,531
2021	155,481
2022	160,481
2023	160,481
2024-2028	828,400
2029-2033	880,703
2034-2038	1,097,158
Total	3,592,710
Less: Amount Representing Interest	(1,612,710)
Present Value of Net Minimum Lease Payments	$ 1,980,000

NOTE 16 - LONG-TERM OBLIGATIONS

The activity of the School District's long-term obligations during fiscal year 2018 was as follows:

	Restated Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Due within One Year
General Obligation Bonds:					
2011 QSCB Bonds	$ 7,910,000	$ -	$ -	$ 7,910,000	$ -
2015 Refunding Bonds	3,380,000	-	-	3,380,000	-
Bond Premiums	183,481	-	9,918	173,563	-
Total General Obligation Bonds	11,473,481	-	9,918	11,463,563	-
Net Pension Liability:					
STRS	8,372,926	-	2,603,317	5,769,609	-
SERS	2,247,699	-	383,724	1,863,975	-
Total Net Pension Liability	10,620,625	-	2,987,041	7,633,584	-
Net OPEB Liability:					
STRS	1,337,753	-	390,134	947,619	-
SERS	884,077	-	33,934	850,143	-
Total Net OPEB Liability	2,221,830	-	424,068	1,797,762	-
Capital Lease Payable	2,030,000	-	50,000	1,980,000	55,000
Compensated Absences	227,986	56,637	32,530	252,093	26,026
Total Long-Term Obigations	$ 26,573,922	$ 56,637	$ 3,503,557	$ 23,127,002	$ 81,026

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Qualified School Construction Bonds

Proceeds from the bonds will be used for the purpose of constructing additions to and renovating and improving existing school buildings and facilities. These bonds were issued on April 15, 2011. The bonds consisted of $7,910,000 in current bonds with an interest rate of 6.04 percent. The bonds are not subject to mandatory sinking fund redemption, the School District has agreed to make deposits annually on December 1 of each year, into a sinking fund account to be held by the Paying Agent for payment of the principal amount of the bonds at maturity. The bonds are being retired through the Bond Retirement fund. Payments shall be made to the Paying Agent by the School District annually in the amounts needed so that the balance in the sinking fund (after taking into account the interest earned on such fund) shall equal, but not exceed, the mandatory sinking fund balance on the dates listed below:

Calendar Year	Mandatory Sinking Fund Balance
2018	$ 3,642,376
2019	4,139,596
2020	4,646,760
2021	5,164,068
2022	5,691,722
2023	6,229,929
2024	6,778,900
2025	7,338,850
2026	7,910,000

2015 Refunding Bonds

On February 26, 2015, the School District issued $3,380,000 of Refunding Bonds to provide resources to purchase U.S. Government securities that were placed, along with a portion of the premium received from the sale of the bonds, in an irrevocable trust for the purpose of generating sufficient resources to satisfy the debt service requirements of $3,440,000 of the 2011 Build America Bonds. The reacquisition price exceeded the net carrying value of the old debt; this amount is being reported as deferred charge on refunding within the deferred outflows of resources section on the statement of net position and is being amortized over the remaining life of the new debt issued, which is the same as the debt defeased.

The 2015 refunding bonds consisted of $3,380,000 in current interest bonds with interest rates ranging from 3.25 percent to 4.00 percent and will fully mature on December 1, 2035.

Legal Debt Margins

At June 30, 2018, the School District's overall legal debt limitation was $1,952,734 and the un-voted debt margin was $106,267.

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Required Debt Service – General Obligation Bonds

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ 605,264	$ 605,264
2020	-	605,264	605,264
2021	-	605,264	605,264
2022	-	605,264	605,264
2023	-	605,264	605,264
2024-2028	8,240,000	2,304,312	10,544,312
2029-2033	1,805,000	426,537	2,231,537
2034-2036	1,245,000	75,900	1,320,900
Total	$ 11,290,000	$ 5,833,069	$ 17,123,069

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The School District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. 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 MVECA consists of two representatives from each of the participating members. The School District paid MVECA $41,492 for services provided during the year. Financial information can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 126 public school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2018, the School District paid $704,668 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member's schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. The School District paid SOITA $513 for services provided during the year. To obtain financial information, write to Southwestern Ohio Instructional Technology Association, Gary Greenburg, who serves as the Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

Greene County Career Center

The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Eva Anderson, who serves as Treasurer, at 2960 W. Enon Rd., Xenia, OH 45385. During fiscal year 2018, the School District did not make any disbursements to the Greene County Career Center.

NOTE 18 – INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Cooperative's Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a 14 member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - CONTINGENCIES

Grants

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

Full-Time Equivalency Review

Full-Time Equivalency Review – School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts are required to comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of the of enrollment adjustments to the Foundation funding for the School District for fiscal year 2018; however, based on information currently available, management does not believe the effects of these reviews will have a material effect on the School District's financial statement.

Litigation

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

NOTE 20 - SET-ASIDE CALCULATION

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The following cash basis information describes the change in the fiscal year-end set-aside amount for capital acquisition. Disclosure of this information is required by State statute.

Set-aside Reserve Balance as of June 30, 2017	$ -
Current Year Set-aside Requirement	108,513
Current Year Offsets:	
Permanent Improvement Tax Proceeds	(432,293)
Maintenance Fund Tax Proceeds	(43,878)
Excess Carryover from Prior Year	(3,592,529)
Total	$ (3,960,187)
Balance Carried forward to FY 2019	$ (3,592,529)
Set-aside Reserve Balance June 30, 2018	$ -

Although the School District had qualifying disbursements during the year that further reduced the set-aside below zero due to current year offsets, the extra amounts may not be used to reduce the set-aside requirements of future years. As such, there was no need to present information concerning such disbursements.

NOTE 21 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	$ 46,044
Non-major Governmental Funds	148,901
	$ 194,945

NOTE 22 – NET POSITION/FUND BALANCES

Net Position

The net position reported on the Statement of Net Position includes restricted classification. The following table describes the limitations imposed on the use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments:

	Governmental Activities
Restricted Net Position:	
Debt Service	$ 3,663,724
Capital Projects	1,025,069
Facilities Maintenance	475,609
Federal and State Education Grants	10,287
Student Activities	41,940
Food Service Programs	42,990
	$ 5,259,619

Fund Balance

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

	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	$ 4,350	$ -	$ 3,678	$ 8,028
Prepaid Items	44,038	229	4,847	49,114

(Continued)

NOTE 22 – NET POSITION/FUND BALANCES (Continued)

	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:				
Debt	-	3,707,130	-	3,707,130
Capital Improvements	-	-	1,012,634	1,012,634
Facilities Maintenance	-	-	471,685	471,685
District Managed Activities	-	-	41,376	41,376
Food Service Operations	-	-	47,456	47,456
Education Grants	-	-	10,287	10,287
Committed for:				
Severance Payments	66,307	-	-	66,307
Workers' Compensation Payments	39,411	-	-	39,411
Assigned for:				
Extracurricular Activities	16,540	-	-	16,540
Emergency Operating Levy	16,725	-	-	16,725
Subsequent Expenditures	28,764	-	-	28,764
Subsequent Appropriations	105,047	-	-	105,047
Unassigned	4,756,709	-	(6,780)	4,749,929
Total Fund Balances	$ 5,077,891	$ 3,707,359	$ 1,585,183	$ 10,370,433

NOTE 23 – INTERFUND ACTIVITY

At June 30, 2018, the Miscellaneous Federal Grants special revenue fund, nonmajor governmental fund, reported a cash deficit of $2,856. As a result, the General Fund covered this deficit within the School District’s cash and investment pool. Therefore, the General Fund reports a “due from other funds” asset for this amount while the nonmajor governmental funds report a “due to other funds” liability for the same amount. The cash deficit was eliminated in the subsequent fiscal year when grant funding was received.

REQUIRED SUPPLEMENTARY INFORMATION

Cedar Cliff Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Five Measurement Fiscal Years (1)

	2017	2016	2015	2014	2013
School Employees Retirement System of Ohio:					
District's Proportion of the Net Pension Liaiblity	0.03119738%	0.0307101%	0.0288486%	0.0321690%	0.0321690%
District's Proprotionate Share of the Net Pension Liability	$ 1,863,975	$ 2,247,699	$ 1,646,129	$ 1,628,055	$ 1,912,987
District's Covered Payroll	$ 997,307	$ 953,743	$ 875,314	$ 947,279	$ 1,062,650
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll.	186.90%	235.67%	188.06%	171.87%	180.02%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%
State Teachers Retirement System of Ohio:					
District's Proportion of the Net Pension Liaiblity	0.02428776%	0.02501400%	0.02503740%	0.02622320%	0.02622320%
District's Proprotionate Share of the Net Pension Liability	$ 5,769,609	$ 8,372,926	$ 6,919,594	$ 6,378,397	$ 7,597,905
District's Covered Payroll	$ 2,670,143	$ 2,631,950	$ 2,708,900	$ 2,640,271	$ 2,626,986
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll.	216.08%	318.13%	255.44%	241.58%	289.23%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

	2018	2017	2016	2015	2014	2013	2012	2011	2010
School Employees Retirement System of Ohio:									
Contractually Required Contribution	$ 145,999	$ 139,623	$ 133,524	$ 122,544	$ 132,619	$ 148,771	$ 137,529	$ 107,884	$ 115,005
Contributions in Relation to the Contractually Required Contributions	(145,999)	(139,623)	(133,524)	(122,544)	(132,619)	(148,771)	(137,529)	(107,884)	(115,005)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 1,081,474	$ 997,307	$ 953,743	$ 875,314	$ 947,279	$ 1,062,650	$ 982,350	$ 770,600	$ 821,464
Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
State Teachers Retirement System of Ohio:									
Contractually Required Contribution	$ 401,505	$ 373,820	$ 368,473	$ 379,246	$ 269,638	$ 367,778	$ 378,801	$ 373,967	$ 344,975
Contributions in Relation to the Contractually Required Contributions	(401,505)	(373,820)	(368,473)	(379,246)	(269,638)	(367,778)	(378,801)	(373,967)	(344,975)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District Covered Payroll	$ 2,867,893	$ 2,670,143	$ 2,631,950	$ 2,708,900	$ 1,925,986	$ 2,626,986	$ 2,705,721	$ 2,671,193	$ 2,464,107
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) - Information prior to fiscal year 2010 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

Schedule of the School District's Proportionate Share of the Net OPEB Liability
Last Two Measurement Fiscal Years (1)

	2017	2016
School Employees Retirement System of Ohio:		
District's Proportion of the Net OPEB Liaiblity	0.03167758%	0.0310162%
District's Proprotionate Share of the Net OPEB Liability	$ 850,143	$ 884,077
District's Covered Payroll	$ 997,307	$ 953,743
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll.	85.24%	92.70%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	12.46%	11.49%
State Teachers Retirement System of Ohio:		
District's Proportion of the Net OPEB Liaiblity	0.02428776%	0.02501396%
District's Proprotionate Share of the Net OPEB Liability	$ 947,619	$ 1,337,753
District's Covered Payroll	$ 2,670,143	$ 2,631,950
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll.	35.49%	50.83%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability	47.11%	37.30%

(1) - Information prior to 2016 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

See accompanying notes to the supplementary information.

	2018	2017	2016
School Employees Retirement System of Ohio:			
Contractually Required Contribution (2)	$ 23,809	$ 17,355	$ 15,243
Contributions in Relation to the Contractually Required Contributions	(23,809)	(17,355)	(15,243)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	$ 1,081,474	$ 997,307	$ 953,743
Contributions as a Percentage of Covered Payroll (2)	2.20%	1.74%	1.60%
State Teachers Retirement System of Ohio:			
Contractually Required Contribution	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contributions	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
District Covered Payroll	$ 2,867,893	$ 2,670,143	$ 2,631,950
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

(1) - Information prior to fiscal year 2016 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

(2) - In addition to the allocation of employer contributions, SERS assesses a surcharge on employers for employees earning less than an actuarially determined minimum compensation amount, which is pro-rated if less than a full year of service credit is earned.

See accompanying notes to the supplementary information.

A. Pension Plans:

School Employees Retirement System of Ohio:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

State Teachers Retirement System of Ohio:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

B. Other Postemployment Benefit (OPEB) Plans:

School Employees Retirement System of Ohio:

Change in assumption. 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%
Fiscal Year 2017	2.92%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Fiscal Year 2018	3.63%
Fiscal Year 2017	2.98%

B. Other Postemployment Benefit (OPEB) Plans: (Continued)

State Teachers Retirement System of Ohio:

Change in assumption. For fiscal year 2018, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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 % to 1.9% 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 2020.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

Cedar Cliff Local School District
Greene County
P.O. 45
Cedarville, Ohio 45314

To the Board of Education:

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cedar Cliff Local School District, Greene 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 27, 2019. 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 Controls 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 opinion 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 of 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.

Charles E. Harris & Associates, Inc.
December 27, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CEDAR CLIFF LOCAL SCHOOL DISTRICT

GREENE 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 28, 2020

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