OTTAWA HILLS LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2018

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Education
Ottawa Hills Local School District
3600 Indian Road
Toledo, OH 43606

We have reviewed the *Independent Auditor's Report* of Ottawa Hills Local School District, Lucas County, prepared by Plattenburg & 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. Ottawa Hills Local School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

January 9, 2020

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PLATTENBURG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ottawa Hills School District

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 Ottawa Hills School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

6479 REFLECTIONS DRIVE / DUBLIN, OH 43017 • (800) 890-8709
8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

Emphasis of Matter

As disclosed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. 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 management's discussion and analysis and schedules of pension information and other postemployment information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 11, 2019

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2018 are as follows:

- Net position increased $8,031,841, which represents a 91% increase from fiscal year 2017.

- General revenues accounted for $15,979,246 in revenue or 93% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $1,223,433 or 7% of total revenues of $17,202,679.

- The District had $9,170,838 in expenses related to governmental activities; only $1,223,433 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $15,979,246 were adequate to provide for these programs.

- The District's General Fund had $15,612,396 in revenues and $14,910,894 in expenditures. The General Fund's fund balance increased $661,299 to $9,730,924.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.

2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category of its activities:

> Governmental Activities – The District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be 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 – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net position for fiscal year 2018 compared to fiscal year 2017.

	Governmental Activities		Increase (Decrease)
	2018	Restated 2017	
Current and Other Assets	$21,562,067	$21,952,202	($390,135)
Capital Assets, Net	8,243,553	6,564,540	1,679,013
Total Assets	29,805,620	28,516,742	1,288,878
Deferred Outflows of Resources	5,670,841	4,778,398	892,443
Net Pension Liability	16,910,928	23,752,482	(6,841,554)
Net OPEB Liability	3,609,997	4,547,171	(937,174)
Other Long-Term Liabilities	1,444,804	1,689,516	(244,712)
Other Liabilities	2,052,610	1,682,510	370,100
Total Liabilities	24,018,339	31,671,679	(7,653,340)
Deferred Inflows of Resources	12,231,398	10,428,578	1,802,820
Net Position			
Net Investment in Capital Assets	8,243,553	6,345,638	1,897,915
Restricted	136,012	798,631	(662,619)
Unrestricted	(9,152,841)	(15,949,386)	6,796,545
Total Net Position	($773,276)	($8,805,117)	$8,031,841

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of ($4,284,887) to a deficit of ($8,805,117).

Changes in Net Position – The following table shows the changes in net position for fiscal year 2018 compared to fiscal year 2017:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues:			
Charges for Services and Sales	$530,580	$453,488	$77,092
Operating Grants and Contributions	692,853	728,816	(35,963)
Total Program Revenues	1,223,433	1,182,304	41,129
General Revenues:			
Property Taxes	11,515,613	11,364,154	151,459
Intergovernmental, Unrestricted	4,200,876	4,115,012	85,864
Other	262,757	337,213	(74,456)
Total General Revenues	15,979,246	15,816,379	162,867
Total Revenues	17,202,679	16,998,683	203,996
Program Expenses:			
Instruction	4,044,094	9,692,908	(5,648,814)
Supporting Services:			
Pupils	587,839	1,106,008	(518,169)
Instructional Staff	272,309	531,241	(258,932)
Board of Education	34,404	30,163	4,241
Administration	599,632	1,064,697	(465,065)
Fiscal Services	531,886	569,392	(37,506)
Operation and Maintenance of Plant	1,249,323	1,223,717	25,606
Pupil Transportation	40,852	46,713	(5,861)
Central	397,077	468,151	(71,074)
Community Services	562,747	563,733	(986)
Extracurricular Activities	848,509	1,064,379	(215,870)
Interest and Fiscal Charges	2,166	5,813	(3,647)
Total Expenses	9,170,838	16,366,915	(7,196,077)
Total Change in Net Position	8,031,841	631,768	7,400,073
Beginning Net Deficit - Restated	(8,805,117)	N/A	N/A
Ending Net Deficit - Restated	($773,276)	($8,805,117)	$8,031,841

Governmental Activities

Net position of the District's governmental activities increased $8,031,841. This increase can be attributed to changes in the net pension and OPEB liabilities.

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 of $26,941 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows.

The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $631,982.

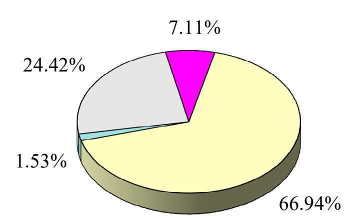
Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities
Total 2018 program expenses under GASB 75	$9,170,838
OPEB expense under GASB 75	631,982
2018 contractually required contribution	37,474
Adjusted 2018 program expenses	9,840,294
Total 2017 program expenses under GASB 45	16,366,915
Change in program expenses not related to OPEB	($6,526,621)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home were reappraised and increased to $200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay $35.00.

Property taxes made up 67% of revenues for Ottawa Hills Local Schools in fiscal year 2018. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2018	Percent of Total
Intergovernmental, Unrestricted	$4,200,876	24.42%
Program Revenues	1,223,433	7.11%
General Tax Revenues	11,515,613	66.94%
General Other	262,757	1.53%
Total Revenue	$17,202,679	100.00%



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of $8,611,951, which is less than last year's balance of $9,866,819. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Increase (Decrease)
General	$9,730,924	$9,069,625	$661,299
Permanent Improvement	(1,254,985)	641,619	(1,896,604)
Other Governmental	136,012	155,575	(19,563)
Total	$8,611,951	$9,866,819	($1,254,868)

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2018 Revenues	2017 Revenues	Increase (Decrease)
Taxes	$10,989,078	$10,781,788	$207,290
Tuition	88,288	37,301	50,987
Transportation Fees	0	1,074	(1,074)
Investment Earnings	63,434	59,750	3,684
Extracurricular Activities	125,427	84,434	40,993
Class Materials and Fees	126,887	111,079	15,808
Intergovernmental - State	4,075,351	4,026,184	49,167
All Other Revenue	143,931	213,523	(69,592)
Total	$15,612,396	$15,315,133	$297,263

General Fund revenues remained stable in fiscal year 2018, increasing $297,263, or 2%.

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
Current:			
Instruction	$9,293,659	$8,453,071	$840,588
Supporting Services:			
Pupils	1,038,467	935,474	102,993
Instructional Staff	469,636	501,431	(31,795)
Board of Education	34,404	30,163	4,241
Administration	1,110,284	991,286	118,998
Fiscal Services	605,137	534,468	70,669
Operation and Maintenance of Plant	1,187,883	1,104,567	83,316
Pupil Transportation	33,083	32,991	92
Central	395,381	455,369	(59,988)
Community Services	139,417	130,722	8,695
Extracurricular Activities	603,543	628,751	(25,208)
Total	$14,910,894	$13,798,293	$1,112,601

General Fund expenditures increased $1,112,601 or 8%. An increase in instruction can be attributed to increases in wages and benefits. Increased expenditures for pupils can be attributed to increased costs for medical insurance, purchased services for special education, and salaries. An increase in administration can be attributed to wages and benefits, legal services for contract negotiations, and other professional services.

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

During the course of fiscal year 2018 the District amended its General Fund budget several times.

For the General Fund, final revenue estimates were 5% higher than original revenue estimates due to increased property tax collections. Final revenue estimates and actual budget basis revenues were not materially different. Final and original budget basis expenditure estimates were not materially different. Actual budget basis expenditures were 5% less than final estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018 the District had $8,243,553 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land	$743,629	$743,629	$0
Construction in Progress	0	787,000	(787,000)
Land Improvements	2,006,701	2,006,701	0
Buildings and Improvements	12,127,293	9,079,248	3,048,045
Machinery/Equipment and Furniture/Fixtures	2,791,466	2,723,366	68,100
Vehicles	256,653	256,653	0
Less: Accumulated Depreciation	(9,682,189)	(9,032,057)	(650,132)
Totals	$8,243,553	$6,564,540	$1,679,013

Significant additions to capital assets consisted of various building improvements, including window, lighting, HVAC, and mechanical upgrades. Additional information on the District's capital assets can be found in Note 8.

Long Term Liabilities

The following table summarizes the District's long term liabilities outstanding as of June 30, 2018 and 2017:

	2018	Restated 2017
Governmental Activities:		
Net Pension Liability	$16,910,928	$23,752,482
Net OPEB Liability	3,609,997	4,547,171
Capital Leases Payable	0	218,902
Compensated Absences	1,444,804	1,470,614
Totals	$21,965,729	$29,989,169

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2018, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2018 the District received approximately 70.39% of its revenues from local property taxes, 17.17% from the state foundation program, 9.71% from the Homestead/Rollback exemption legislation, and the remaining 2.73% from other local sources and all other revenue sources. The District real estate value consists of 96.73% residential real estate, 1.95% commercial real estate, and 1.32% public utilities personal property.

The Lucas County Auditor's office has completed the 2015 triennial update for properties in Lucas County. The next revaluation of properties for Lucas County will occur in 2018. There was a 0% change in total valuations for the district. The 2017 valuations have slightly decreased from the 2016 valuations. The current district valuation is $150,394,660. In 2012, the Lucas County Auditor's office conducted a property revaluation of property values. The 2012 valuation for the Ottawa Hills Local School District decreased to $151,606,360. This was a loss of ($10,310,570) or (6.37%) from calendar year 2011. The peak year of valuation for the District was 2006. The calendar year 2006 valuation was $187,621,220. The economic slowdown has affected home values in the District and in Lucas County. The drop in valuations has reduced the level of valuations to an amount that was last seen in 1999. All operating and permanent improvement levies passed after 1999 have been negatively affected by the drop in valuations. A combination of future tax levies and a reduction of District expenses will need to be evaluated to align with the drop of valuations and decreases in local property tax collections. There are currently no new levies projected in the district's five-year forecast.

The District approved a 6.9 mill continuing operating levy in November 2013 by a 67% margin. The District previously passed a 7.6 mill continuing operating levy in November 2010 by a 64% margin. The District passed a 2.0 mill permanent improvement levy in November 2011 by a 66% margin. The District has also passed a 2.0 mill permanent improvement levy in November 2012 by a 66% margin. Both of the 2.0 mill permanent improvement levies are for a continuing period of time.

In conclusion, the Ottawa Hills Local School District's management has committed itself to financial prudence in the years to come.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bradley Browne, Treasurer of Ottawa Hills Local School District.

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Statement of Net Position
June 30, 2018

		Governmental Activities
Assets:		
Cash and Cash Equivalents	$	4,174,466
Investments		5,766,678
Receivables:		
Taxes		11,207,323
Accounts		344,672
Intergovernmental		34,748
Interest		22,492
Prepaid Items		11,688
Non-Depreciable Capital Assets		743,629
Depreciable Capital Assets, Net		7,499,924
Total Assets		29,805,620
Deferred Outflows of Resources:		
Pension		5,500,000
OPEB		170,841
Total Deferred Outflows of Resources		5,670,841
Liabilities:		
Accounts Payable		350,639
Accrued Wages and Benefits		912,871
Intergovernmental Payable		204,849
Claims Payable		584,251
Long Term Liabilities:		
Due Within One Year		153,968
Due in More Than One Year:		
Net Pension Liability		16,910,928
Net OPEB Liability		3,609,997
Other Amounts Due in More Than One Year		1,290,836
Total Liabilities		24,018,339
Deferred Inflows of Resources:		
Property Tax Levy for Next Fiscal Year		10,855,702
Pension		964,078
OPEB		411,618
Total Deferred Inflows of Resources		12,231,398
Net Position:		
Investment in Capital Assets		8,243,553
Restricted For:		
Debt Service		5,535
Other Purposes		130,477
Unrestricted (Deficit)		(9,152,841)
Total Net Position	$	(773,276)

See accompanying notes to the basic financial statements

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	$ 4,044,094	$ 215,175	$ 123,532	$ (3,705,387)
Supporting Services:				
Pupils	587,839	0	99,999	(487,840)
Instructional Staff	272,309	0	22,342	(249,967)
Board of Education	34,404	0	0	(34,404)
Administration	599,632	0	0	(599,632)
Fiscal Services	531,886	0	0	(531,886)
Operation and Maintenance of Plant	1,249,323	1,539	0	(1,247,784)
Pupil Transportation	40,852	0	0	(40,852)
Central	397,077	0	11,798	(385,279)
Community Services	562,747	0	435,182	(127,565)
Extracurricular Activities	848,509	313,866	0	(534,643)
Interest and Fiscal Charges	2,166	0	0	(2,166)
Total Governmental Activities	$ 9,170,838	$ 530,580	$ 692,853	$ (7,947,405)

General Revenues	
Property Taxes Levied for:	
General Purposes	10,982,610
Capital Projects	533,003
Intergovernmental, Unrestricted	4,200,876
Investment Earnings	65,364
Miscellaneous	197,393
Total General Revenues	15,979,246
Change in Net Position	8,031,841
Net Position Beginning of Year - Restated	(8,805,117)
Net Position End of Year	$ (773,276)

See accompanying notes to the basic financial statements

Balance Sheet
Governmental Funds
June 30, 2018

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	$ 2,902,826	$ 1,135,152	$ 136,488	$ 4,174,466
Investments	5,766,678	0	0	5,766,678
Receivables:				
Taxes	10,693,224	514,099	0	11,207,323
Accounts	344,487	5	180	344,672
Intergovernmental	34,748	0	0	34,748
Interest	22,492	0	0	22,492
Interfund Loans Receivable	2,160,000	0	0	2,160,000
Prepaid Items	11,688	0	0	11,688
Total Assets	$ 21,936,143	$ 1,649,256	$ 136,668	$ 23,722,067
Liabilities:				
Accounts Payable	$ 104,593	$ 245,390	$ 656	$ 350,639
Accrued Wages and Benefits	912,871	0	0	912,871
Intergovernmental Payable	204,849	0	0	204,849
Claims Payable	584,251	0	0	584,251
Interfund Loans Payable	0	2,160,000	0	2,160,000
Compensated Absences Payable	9,535	0	0	9,535
Total Liabilities	1,816,099	2,405,390	656	4,222,145
Deferred Inflows of Resources:				
Unavailable Amounts	31,157	1,112	0	32,269
Property Tax Levy for Next Fiscal Year	10,357,963	497,739	0	10,855,702
Total Deferred Inflows of Resources	10,389,120	498,851	0	10,887,971
Fund Balances:				
Nonspendable	2,171,688	0	0	2,171,688
Restricted	0	0	136,012	136,012
Committed	27,464	0	0	27,464
Assigned	660,775	0	0	660,775
Unassigned	6,870,997	(1,254,985)	0	5,616,012
Total Fund Balances	9,730,924	(1,254,985)	136,012	8,611,951
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 21,936,143	$ 1,649,256	$ 136,668	$ 23,722,067

See accompanying notes to the basic financial statements

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

Total Governmental Fund Balances		$ 8,611,951
Amounts reported for governmental activities in the statement of net position are different because		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		8,243,553
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		32,269
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	5,500,000	
Deferred Inflows - Pension	(964,078)	
Net Pension Liability	(16,910,928)	
Deferred Outflows - OPEB	170,841	
Deferred Inflows - OPEB	(411,618)	
Net OPEB Liability	(3,609,997)	
		(16,225,780)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable		(1,435,269)
Net Position of Governmental Activities		$ (773,276)

See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	$ 10,989,078	$ 533,328	$ 0	$ 11,522,406
Tuition	88,288	0	0	88,288
Investment Earnings	63,434	0	1,004	64,438
Extracurricular Activities	125,427	0	188,439	313,866
Class Materials and Fees	126,887	0	0	126,887
Intergovernmental - State	4,075,351	127,743	438,782	4,641,876
Intergovernmental - Federal	0	0	251,853	251,853
All Other Revenue	143,931	0	55,001	198,932
Total Revenue	15,612,396	661,071	935,079	17,208,546
Expenditures:				
Current:				
Instruction	9,293,659	99,455	125,074	9,518,188
Supporting Services:				
Pupils	1,038,467	0	99,999	1,138,466
Instructional Staff	469,636	0	22,342	491,978
Board of Education	34,404	0	0	34,404
Administration	1,110,284	0	0	1,110,284
Fiscal Services	605,137	8,781	0	613,918
Operation and Maintenance of Plant	1,187,883	4,114	0	1,191,997
Pupil Transportation	33,083	0	0	33,083
Central	395,381	0	11,798	407,179
Community Services	139,417	0	435,182	574,599
Extracurricular Activities	603,543	0	303,247	906,790
Capital Outlay	0	2,224,257	0	2,224,257
Debt Service:				
Principal Retirement	0	218,902	0	218,902
Interest and Fiscal Charges	0	2,166	0	2,166
Total Expenditures	14,910,894	2,557,675	997,642	18,466,211
Excess (Deficiency) of Revenues Over (Under) Expenditures	701,502	(1,896,604)	(62,563)	(1,257,665)

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Sale of Capital Assets	2,797	0	0	2,797
Transfers In	0	0	43,000	43,000
Transfers Out	(43,000)	0	0	(43,000)
Total Other Financing Sources (Uses)	(40,203)	0	43,000	2,797
Net Change in Fund Balance	661,299	(1,896,604)	(19,563)	(1,254,868)
Fund Balances at Beginning of Year	9,069,625	641,619	155,575	9,866,819
Fund Balances End of Year	$ 9,730,924	$ (1,254,985)	$ 136,012	$ 8,611,951

See accompanying notes to the basic financial statements

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

Net Change in Fund Balance - Total Governmental Funds		$	(1,254,868)
Amounts reported for governmental activities in the statement of activities are different because			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.			
Capital Outlay	2,329,145		
Depreciation Expense	(650,132)		1,679,013
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(5,867)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:			
Pension	1,244,264		
OPEB	37,474		1,281,738
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:			
Pension	5,518,661		
OPEB	631,982		6,150,643
The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities.			
Capital Lease Principal Payment			218,902
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in Compensated Absences			(37,720)
Change in Net Position of Governmental Activities		$	8,031,841

See accompanying notes to the basic financial statements

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	$ 10,745,159	$ 11,414,185	$ 11,414,185	$ 0
Tuition	39,000	88,288	88,288	0
Transportation Fees	500	0	0	0
Investment Earnings	62,000	166,000	167,883	1,883
Extracurricular Activities	120,000	102,820	112,036	9,216
Class Material and Fees	0	34,536	34,536	0
Intergovernmental - State	4,086,492	4,075,351	4,075,351	0
All Other Revenues	6,500	2,358	55	(2,303)
Total Revenues	15,059,651	15,883,538	15,892,334	8,796
Expenditures:				
Current:				
Instruction	9,697,564	9,508,314	9,076,728	431,586
Supporting Services:				
Pupils	984,193	1,077,233	1,040,017	37,216
Instructional Staff	567,888	525,453	473,810	51,643
Board of Education	51,500	38,564	34,404	4,160
Administration	1,173,823	1,183,846	1,109,983	73,863
Fiscal Services	580,010	622,401	606,795	15,606
Operation and Maintenance of Plant	1,233,889	1,361,296	1,209,879	151,417
Pupil Transportation	49,115	47,465	31,325	16,140
Central	438,390	415,120	406,110	9,010
Community Services	143,850	120,455	116,110	4,345
Extracurricular Activities	650,040	670,115	613,846	56,269
Total Expenditures	15,570,262	15,570,262	14,719,007	851,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	(510,611)	313,276	1,173,327	860,051

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	2,554	2,554	0
Transfers Out	(100,000)	(100,000)	(100,000)	0
Advances In	240,000	240,000	240,000	0
Refund of Prior Year Expenditures	500	80,881	80,882	1
Total Other Financing Sources (Uses):	140,500	223,435	223,436	1
Net Change in Fund Balance	(370,111)	536,711	1,396,763	860,052
Fund Balance at Beginning of Year	6,943,030	6,943,030	6,943,030	0
Prior Year Encumbrances	76,970	76,970	76,970	0
Fund Balance at End of Year	$ 6,649,889	$ 7,556,711	$ 8,416,763	$ 860,052

See accompanying notes to the basic financial statements

Statement of Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Funds	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	$ 49,323	$ 40,644	$ 89,967
Total Assets	49,323	40,644	89,967
Liabilities:			
Accounts Payable	0	66	66
Due to Others	0	1,632	1,632
Due to Students	0	38,946	38,946
Total Liabilities	0	40,644	40,644
Net Position:			
Held in Trust	49,323	0	49,323
Total Net Position	$ 49,323	$ 0	$ 49,323

See accompanying notes to the basic financial statements

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

	Private Purpose Trust Funds
Additions:	
Contributions:	
Private Donations	$ 3,000
Total Contributions	3,000
Investment Earnings:	
Interest	502
Total Additions	3,502
Deductions:	
Community Gifts, Awards and Scholarships	4,684
Total Deductions	4,684
Change in Net Position	(1,182)
Net Position at Beginning of Year	50,505
Net Position End of Year	$ 49,323

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ottawa Hills Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 35 noncertified, 70 certified teaching personnel and 9 administrative employees providing education to 983 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Northwest Ohio Computer Association (NWOCA), the Northern Buckeye Education Council (NBEC) and the Educational Regional Service System Region 1. The aforementioned entities are jointly governed organizations that provide various services to member school districts, see Note 13 "Jointly Governed Organizations." Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the basic financial statements.

The following fund types are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Permanent Improvement Fund – The permanent improvement fund accounts for financial resources to be used for the acquisition or construction of major capital assets.

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

Fiduciary Funds **–** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's two trust funds are private-purpose trusts that account for scholarship programs for students. The agency funds account for student activities and OHSAA tournament monies, are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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 District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees and interest on investments.

Current property taxes measurable at June 30, 2018, but which are not intended to finance fiscal 2018 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, agency funds and the private-purpose trust funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the general fund and at the fund level for the remaining funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to January 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2018.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the object level for the general fund and at the fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

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 (as reported)	$661,299
Increase (Decrease):	
Accrued Revenues at June 30, 2018, received during FY 2019	(2,730,140)
Accrued Revenues at June 30, 2017, received during FY 2018	3,530,626
Accrued Expenditures at June 30, 2018, paid during FY 2019	1,816,099
Accrued Expenditures at June 30, 2017, paid during FY 2018	(1,742,944)
FY 2017 Prepaids for FY 2018	18,827
FY 2018 Prepaids for FY 2019	(11,688)
Encumbrances Outstanding	(186,437)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	41,121
Budget Basis	$1,396,763

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of less than three months and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The District allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72, *"Fair Value Measurement and Application,"* the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. During fiscal year 2018, investments were limited to federal agency securities and marketable certificates of deposit.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. See Note 4, "Cash, Cash Equivalents and Investments."

The District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the District. The District measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Interest revenue credited to the General Fund during fiscal year 2018 amounted to $63,434. Of this amount, $7,929 was the amount allocated by other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than $1,500.

Contributed capital assets are recorded at acquisition value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (in years)
Land Improvements	20
Buildings and Improvements	30
Machinery/Equipment and Furniture/Fixtures	6-10
Vehicles	10

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund
Capital Leases Payable	Permanent Improvement Fund
Net Pension/OPEB Liability	General Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

In accordance with GASB Statement No. 16, *"Accounting for Compensated Absences,"* vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees earn 1.25 days of sick leave per month of service up to a maximum of 270 days for STRS and SERS employees. Upon retirement, employees that pay into STRS and SERS will receive up to 36% of the accumulated sick leave up to a maximum of 97 days. Administrators earn sick leave up to 315 days and will be paid up to 37% of accumulated sick leave up to a maximum of 115 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

K. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/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 use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Pension/OPEB

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

M. 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. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance 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 **–** The 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.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by policies of the School District Board of Education, including giving the Treasurer the authority to constrain monies for intended purposes. The School District Board of Education may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget. Through the District’s purchasing policy the Board of Education has given the Treasurer the authority to constrain monies for intended purposes, which are also reported as assigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance (Continued)

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 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. 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 could differ from those estimates.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2018.

R. Accrued Liabilities and Long Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences and contractually required pension/OPEB contributions 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 at year end. Long-term debts paid from governmental funds are not recognized as a liability in the fund financial statements until due. The net pension/OPEB liability is recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, investment earnings, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and are explained in Notes 9 and 10.

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NOTE 2 – FUND BALANCES

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

Fund Balances	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	$11,688	$0	$0	$11,688
Long Term Interfund Loans	2,160,000	0	0	2,160,000
Total Nonspendable	2,171,688	0	0	2,171,688
Restricted:				
Extracurricular Activities	0	0	75,948	75,948
Other Purposes	0	0	54,529	54,529
Debt Service Payments	0	0	5,535	5,535
Total Restricted	0	0	136,012	136,012
Committed:				
Severance Pay	27,464	0	0	27,464
Total Committed	27,464	0	0	27,464
Assigned to Other Purposes	660,775	0	0	660,775
Unassigned	6,870,997	(1,254,985)	0	5,616,012
Total Fund Balances	$9,730,924	($1,254,985)	$136,012	$8,611,951

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NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 81, "Irrevocable Split-Interest Agreements,", Statement No. 85, "Omnibus 2017", and Statement No. 86, "Certain Debt Extinguishment Issues." Other than GASB Statement No. 75, these statements had no effect on beginning net position.

Statement No. 75 replaces the requirements of GASB Statement No. 45 and addresses accounting and financial reporting for postemployment benefits that are provided to the employees of state and local government employers. In addition, it establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses and addresses note disclosure and required supplementary information requirements.

The implementation of GASB 75 had the following effect on net position as reported June 30, 2017:

	Governmental Activities
Net position June 30, 2017	($4,284,887)
Adjustments:	
Net OPEB Liability	(4,547,171)
Deferred Outflow - Payments Subsequent to the Measurement Date	26,941
Restated Net Position June 30, 2017	($8,805,117)

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

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NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 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 pledged to be 50 percent of the deposits being secured or a rate set by the Treasurer of State. The District's policy is to deposit funds with banking institutions which collateralize public monies in accordance with the Ohio Revised Code.

At year end the carrying amount of the District's deposits was $1,140,021 and the bank balance was $1,493,389. Federal depository insurance covered $257,418 of the bank balance and $1,235,971 was exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The District's investments at June 30, 2018 were as follows:

				Investment Maturities (in Years)		
	Fair Value	Credit Rating	Fair Value Hierarchy	less than 1	1-3	3-5
STAR Ohio[4]	$3,124,412	AAAm [1]	NA	$3,124,412	$0	$0
Money Market Fund[4]	21,251	AAAm/Aaa [1,2]	NA	21,251	0	0
Marketable CD's	5,332,997	AAA[3]	Level 2	1,438,156	2,827,329	1,067,512
FHLMC	412,430	AA+/aa3[1,2]	Level 2	0	172,765	239,665
Total Investments	$8,891,090			$4,583,819	$3,000,094	$1,307,177

[1] Standard & Poor's
[2] Moody's Investor Service
[3] All are fully FDIC insured and therefore have an implied AAA credit rating
[4] Reported at amortized cost

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitation of State statute for "interim" funds described previously.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 35.2% are STAR Ohio, 0.2% is a money market investment, 4.6% are FHLMC, and 60.0% are marketable certificates of deposit.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Financial Statements	$4,264,433	$5,766,678
STAR Ohio	(3,124,412)	3,124,412
Per GASB Statement No. 3	$1,140,021	$8,891,090

NOTE 5 - TAXES

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

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

NOTE 5 – TAXES (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2018 were as follows:

	2017 Second Half Collections	2018 First Half Collections
Agricultural/Residential and Other Real Estate	$148,535,080	$148,307,120
Public Utility Personal	1,989,970	2,087,540
Total Assessed Value	$150,525,050	$150,394,660
Tax rate per $1,000 of assessed valuation	$139.05	$139.05

NOTE 6 - RECEIVABLES

Receivables at June 30, 2018 consisted of taxes, accounts, intergovernmental, interest, and interfund loan receivables.

NOTE 7 – TRANSFERS/INTERFUND LOANS

Following is a summary of transfers in and out for all funds for fiscal year 2018:

Fund	Transfer In	Transfer Out
General Fund	$0	$43,000
Other Governmental Funds	43,000	0
Total All Funds	$43,000	$43,000

All transfers made in fiscal year 2018 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Following is a summary of interfund loans for all funds at June 30, 2018:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	$2,160,000	$0
Permanent Improvement Fund	0	2,160,000
Total All Funds	$2,160,000	$2,160,000

In fiscal year 2017 the General Fund advanced $2,400,000 to the Permanent Improvement Fund for various building improvements. This loan will be paid back over a 10 year period.

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2018:

Historical Cost:

Class	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets not being depreciated:				
Land	$743,629	$0	$0	$743,629
Construction in Progress	787,000	0	(787,000)	0
Sub-Total	1,530,629	0	(787,000)	743,629
Capital assets being depreciated:				
Land Improvements	2,006,701	0	0	2,006,701
Buildings and Improvements	9,079,248	3,048,045	0	12,127,293
Machinery/Equipment and Furniture/Fixtures	2,723,366	68,100	0	2,791,466
Vehicles	256,653	0	0	256,653
Total Cost	$15,596,597	$3,116,145	($787,000)	$17,925,742

Accumulated Depreciation:

Class	June 30, 2017	Additions	Deletions	June 30, 2018
Land Improvements	($1,385,652)	($80,226)	$0	($1,465,878)
Buildings and Improvements	(5,639,991)	(255,940)	0	(5,895,931)
Machinery/Equipment and Furniture/Fixtures	(1,840,842)	(296,184)	0	(2,137,026)
Vehicles	(165,572)	(17,782)	0	(183,354)
Total Depreciation	($9,032,057)	($650,132) *	$0	($9,682,189)
Net Value:	$6,564,540			$8,243,553

* Depreciation expenses were charged to governmental functions as follows:

Instruction	$393,943
Supporting Services:	
Pupils	58
Administration	1,669
Fiscal Services	58
Operation and Maintenance of Plant	161,544
Pupil Transportation	12,507
Extracurricular Activities	80,353
Total Depreciation Expense	$650,132

NOTE 9- DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description

School Employees Retirement System (SERS)

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

Effective January 1, 2018, cost-of-living adjustment (COLA) will change from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. HB 49 also provided the SERS Retirement Board with the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W; however, any adjustment above or below CPI-W could only be enacted if the system's actuary determines it would not materially impair the fiscal integrity of the system, or is necessary to preserve the fiscal integrity of the system.

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

The District's contractually required contribution to SERS was $243,192 for fiscal year 2018.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14% and the member rate was 14% of covered payroll.

The District's contractually required contribution to STRS was $1,001,072 for fiscal year 2018. Of this amount $170,575 is reported as an intergovernmental payable.

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$2,844,341	$14,066,587	$16,910,928
Proportion of the Net Pension Liability -2018	0.0476058%	0.0592147%	
Proportion of the Net Pension Liability -2017	0.0496953%	0.0600939%	
Percentage Change	(0.0020895%)	(0.0008792%)	
Pension Expense	($170,848)	($5,347,813)	($5,518,661)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$122,411	$543,187	$665,598
Changes of assumptions	147,082	3,076,517	3,223,599
District contributions subsequent to the measurement date	243,192	1,001,072	1,244,264
Changes in proportionate share	57,325	309,214	366,539
Total Deferred Outflows of Resources	$570,010	$4,929,990	$5,500,000
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$113,371	$113,371
Net difference between projected and actual earnings on pension plan investments	13,501	464,214	477,715
Changes in proportionate share	166,621	206,371	372,992
Total Deferred Inflows of Resources	$180,122	$783,956	$964,078

$1,244,264 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$45,187	$700,487	$745,674
2020	150,925	1,331,974	1,482,899
2021	17,077	918,354	935,431
2022	(66,493)	194,147	127,654
Total	$146,696	$3,144,962	$3,291,658

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

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

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

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

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

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

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

The most recent experience study was completed June 30, 2015.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$3,947,207	$2,844,341	$1,920,467

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (STRS)

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

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

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

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

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

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NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

***Discount Rate* -** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$20,163,976	$14,066,587	$8,930,453

***Changes in Assumptions* -** The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced 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.

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NOTE 10 - DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability

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

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

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

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

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

B. Plan Description

School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. 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.

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description (Continued)

In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $28,466.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $37,474 for fiscal year 2018. Of this amount, $28,466 is reported as an intergovernmental payable.

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$1,299,656	$2,310,341	$3,609,997
Proportion of the Net OPEB Liability -2018	0.0484271%	0.0592147%	
Proportion of the Net OPEB Liability -2017	0.0484271%	0.0592147%	
Percentage Change	0.0000000%	0.0000000%	
OPEB Expense	$73,009	($704,991)	($631,982)

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$133,367	$133,367
District contributions subsequent to the measurement date	37,474	0	37,474
Total Deferred Outflows of Resources	$37,474	$133,367	$170,841
Deferred Inflows of Resources			
Changes of assumptions	$123,331	$186,105	$309,436
Net difference between projected and actual earnings on OPEB plan investments	3,432	98,750	102,182
Total Deferred Inflows of Resources	$126,763	$284,855	$411,618

$37,474 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($45,543)	($33,477)	($79,020)
2020	(45,543)	(33,477)	(79,020)
2021	(34,819)	(33,477)	(68,296)
2022	(858)	(33,479)	(34,337)
2023	0	(8,790)	(8,790)
Thereafter	0	(8,788)	(8,788)
Total	($126,763)	($151,488)	($278,251)

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (SERS)

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$1,569,500	$1,299,656	$1,085,871

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	$1,054,574	$1,299,656	$1,624,027

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

Changes in Assumptions – SERS - Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

State Teachers Retirement System (STRS)

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

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

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the Net OPEB liability	$3,101,595	$2,310,341	$1,684,991

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$1,605,126	$2,310,341	$3,238,486

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

D. Actuarial Assumptions (Continued)

Changes in Assumptions – STRS **-** 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 2019.

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in long-term debt and other long-term obligations of the District for the fiscal year ended June 30, 2018 are as follows:

	Restated Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Amount Due Within One Year
Governmental Activities:					
Net Pension Liability:					
School Teachers Retirement System	$20,115,245	$0	($6,048,658)	$14,066,587	$0
School Employees Retirement System	3,637,237	0	(792,896)	2,844,341	0
Total Net Pension Liability	23,752,482	0	(6,841,554)	16,910,928	0
Net OPEB Liability:					
School Teachers Retirement System	$3,166,820	$0	($856,479)	$2,310,341	$0
School Employees Retirement System	1,380,351	0	(80,695)	1,299,656	0
Total Net OPEB Liability	4,547,171	0	(937,174)	3,609,997	0
Capital Leases Payable	218,902	0	(218,902)	0	0
Compensated Absences	1,470,614	257,353	(283,163)	1,444,804	153,968
Total Long-Term Obligations	$29,989,169	$257,353	($8,280,793)	$21,965,729	$153,968

NOTE 12 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into capital reserves. During the fiscal year ended June 30, 2018, the reserve activity (cash-basis) was as follows:

	Capital Acquisition Reserve
Set-aside Cash Balance as of June 30, 2017	$0
Current Year Set-Aside Requirement	163,427
Current Year Offset Credits	(2,564,921)
Total	($2,401,494)
Cash Balance Carried Forward to FY 2019	$0
Amount Restricted for Capital Acquisition	$0

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, the extra amount may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association (NWOCA) - The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of twenty-eight educational entities, primarily school districts, located in Henry, Fulton, Defiance, Williams, Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. Total disbursements made by the District to NWOCA during the fiscal year were $2,865. Financial information can be obtained from the Northwest Ohio Computer Association, Dr. John Granger, Interim Executive Director, 209 Nolan Parkway, Archbold, Ohio 43502.

Northern Buckeye Education Council (NBEC) - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during the fiscal year were $59,638. To obtain financial information write to the Northern Buckeye Education Council, Dr. John Granger, Interim Executive Director, 209 Nolan Parkway, Archbold, Ohio 43502.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Educational Regional Service System Region 1 - The School District participates in the Educational Regional Service System (ERSS) Region 1, a jointly governed organization consisting of educational entities within Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Lucas County Educational Service Center, 10142 Dowling Road, Bowling Green, Ohio, 43402.

NOTE 14 – INSURANCE PURCHASING POOLS

Ohio School Plan - The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan – The District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from $35,000 to $150,000 under which the individual member is responsible for all claims through the claims servicing pool.

NOTE 14 – INSURANCE PURCHASING POOLS (Continued)

Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and $500,000, and all claims between the deductible and the $500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding $500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

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NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2018 the District contracted for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Commercial Property	$1,000
Ohio School Plan	Crime: Employee Theft	$1,000
Ohio School Plan	General Liability	N/A
Ohio School Plan	Crime Coverage: Forgery or Alteration/Theft of Money and Securities/Computer Fraud	$1,000
Ohio School Plan	Employers Liability (Ohio Stop Gap)	N/A
Ohio School Plan	Fiduciary Liability	$2,500
Ohio School Plan	Legal Liability: Errors and Omissions/Employment Practices/Declaratory, Equitable and Injunctive Relief Defense Aggregate	$2,500
Ohio School Plan	Commercial Auto – Trucks	
	Comprehensive	$250
	Collision	$500
Ohio School Plan	Commercial Auto – Bus	
	Comprehensive	$1,000
	Collision	$1,000
Ohio School Plan	Umbrella Coverage	$10,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 15 - RISK MANAGEMENT (Continued)

In fiscal 2013 the District joined the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of more than 100 members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. Employees were covered for medical and prescription drug coverage through the OME-RESA self-insured plan.

Effective January 1, 2018 the District added two additional medical insurance plans. The Option One single coverage premiums are $692.39 and family premiums are $1,868.93. The board pays 84% of the premiums for employees opting for Option One. The Option Two single coverage premiums are $641.24 and family premiums are $1,730.86. The board pays 91% of the premiums for employees opting for Option Two. The third plan is an H.S.A. option with single coverage premiums of $581.08 and $1,568.48 for family premiums. The board pays 95% of the premiums for employees opting for H.S.A. coverage. The Option One annual deductibles are $150 for a single plan and $300 for a family plan. The Option Two annual deductibles are $300 for a single plan and $600 for a family plan. The H.S.A. option deductibles are $3,000 for a single plan and $6,000 for a family plan.

The claims liability of $584,251 reported in the General Fund at June 30, 2018 is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in fiscal 2018 were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2017	$573,781	$2,561,271	($2,575,351)	$559,701
2018	559,701	2,732,090	(2,707,540)	584,251

NOTE 16 – SIGNIFICANT COMMITMENTS

At June 30, 2018 the District had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
General Fund	$188,750
Permanent Improvement Fund	199,429
Other Governmental Funds	2,450
Total Governmental Funds	$390,629

NOTE 16 – SIGNIFICANT COMMITMENTS (Continued)

At June 30, 2018 the District had the following contractual commitments:

Project	Remaining Contractual Commitment	Expected Date of Completion
LED Lighting Upgrades	$55,092	August 2018
HB 153 Window and Mechanical Upgrades	136,598	August 2018
	$191,690	

NOTE 17 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 District at June 30, 2018.

B. Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of the District's Proportionate Share of the Net Pension Liability
Last Five Fiscal Years

State Teachers Retirement System

	2014	2015	2016	2017	2018
District's proportion of the net pension liability (asset)	0.0580032%	0.0580032%	0.0588380%	0.0600939%	0.0592147%
District's proportionate share of the net pension liability (asset)	$16,805,802	$14,108,373	$16,261,103	$20,115,245	$14,066,587
District's covered payroll	$5,814,600	$5,765,192	$5,869,364	$6,269,693	$6,676,800
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	289.03%	244.72%	277.05%	320.83%	210.68%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.70%	72.10%	66.80%	75.30%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	2014	2015	2016	2017	2018
District's proportion of the net pension liability (asset)	0.0521050%	0.0521050%	0.0475589%	0.0496953%	0.0476058%
District's proportionate share of the net pension liability (asset)	$3,098,517	$2,637,004	$2,713,755	$3,637,237	$2,844,341
District's covered payroll	$1,822,861	$1,522,662	$1,431,737	$1,543,350	$1,593,679
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	169.98%	173.18%	189.54%	235.67%	178.48%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%	69.16%	62.98%	69.50%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statements 68 in 2015.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.
The schedule is reported as of the measurement date of the Net Pension Liability.

See accompanying notes to the Required Supplemental Information.

Schedule of District Pension Contributions
Last Five Fiscal Years

State Teachers Retirement System

	2014	2015	2016	2017	2018
Contractually required contribution	$749,475	$821,711	$877,757	$934,752	$1,001,072
Contributions in relation to the contractually required contribution	749,475	821,711	877,757	934,752	1,001,072
Contribution deficiency (excess)	$0	$0	$0	$0	$0
District's covered payroll	$5,765,192	$5,869,364	$6,269,693	$6,676,800	$7,150,514
Contributions as a percentage of covered payroll	13.00%	14.00%	14.00%	14.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

	2014	2015	2016	2017	2018
Contractually required contribution	$211,041	$188,703	$216,069	$223,115	$243,192
Contributions in relation to the contractually required contribution	211,041	188,703	216,069	223,115	243,192
Contribution deficiency (excess)	$0	$0	$0	$0	$0
District's covered payroll	$1,522,662	$1,431,737	$1,543,350	$1,593,679	$1,801,422
Contributions as a percentage of covered payroll	13.86%	13.18%	14.00%	14.00%	13.50%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

See accompanying notes to the Required Supplemental Information.

Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Two Fiscal Years

State Teachers Retirement System

Fiscal Year	2017	2018
District's proportion of the net OPEB liability (asset)	0.0592147%	0.0592147%
District's proportionate share of the net OPEB liability (asset)	$3,166,820	$2,310,341
District's covered payroll	$6,269,693	$6,676,800
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	50.51%	34.60%
Plan fiduciary net position as a percentage of the total OPEB liability	37.30%	47.10%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	2017	2018
District's proportion of the net OPEB liability (asset)	0.0484271%	0.0484271%
District's proportionate share of the net OPEB liability (asset)	$1,380,351	$1,299,656
District's covered payroll	$1,543,350	$1,593,679
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	89.44%	81.55%
Plan fiduciary net position as a percentage of the total OPEB liability	11.49%	12.46%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.
The schedule is reported as of the measurement date of the Net OPEB Liability, which is the prior year end.

See accompanying notes to the Required Supplemental Information.

Schedule of District Other Postemployment Benefit (OPEB) Contributions
Last Five Fiscal Years

State Teachers Retirement System

Fiscal Year	2014	2015	2016	2017	2018
Contractually required contribution	$57,687	$0	$0	$0	$0
Contributions in relation to the contractually required contribution	57,687	0	0	0	0
Contribution deficiency (excess)	$0	$0	$0	$0	$0
District's covered payroll	$5,765,192	$5,869,364	$6,269,693	$6,676,800	$7,150,514
Contributions as a percentage of covered payroll	1.00%	0.00%	0.00%	0.00%	0.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	2014	2015	2016	2017	2018
Contractually required contribution	$29,464	$41,269	$25,952	$26,941	$37,474
Contributions in relation to the contractually required contribution	29,464	41,269	25,952	26,941	37,474
Contribution deficiency (excess)	$0	$0	$0	$0	$0
District's covered payroll	$1,522,662	$1,431,737	$1,543,350	$1,593,679	$1,801,422
Contributions as a percentage of covered payroll	1.94%	2.88%	1.68%	1.69%	2.08%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 75 in 2018.
The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

See accompanying notes to the Required Supplemental Information.

Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018

NET PENSION LIABILITY

SERS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2015 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rate, and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STRS

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2015 - 2017. Effective July 1, 2017, the COLA was reduced to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015-2017. The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced 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. See the notes to the basic financials for the methods and assumptions in this calculation.

Notes to the Required Supplemental Information
For the Fiscal Year Ended June 30, 2018

NET OPEB LIABILITY

SERS

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

Municipal Bond Index Rate:

Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

STRS

Changes in assumptions: For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Yellow Book Report

June 30, 2018

PLATTENBURG
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*

Board of Education
Ottawa Hills School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills School District (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 11, 2019, wherein we noted the District adopted GASB No. 75 as disclosed in Note 3.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

6479 REFLECTIONS DRIVE / DUBLIN, OH 43017 • (800) 890-8709
8260 NORTHCREEK DRIVE, SUITE 330 / CINCINNATI, OH 45236 • (513) 891-2722 • FAX (513) 891-2760
TWO PRESTIGE PLACE, SUITE 240 / DAYTON, OH 45342 • (937) 433-0400 • FAX (937) 433-0429
www.plattenburg.com

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 11, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS 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 21, 2020