bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

FAYETTEVILLE-PERRY SCHOOL DISTRICT
BROWN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2017
Fiscal Year Audited Under GAGAS: 2017

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpagroup.com

Board of Education
Fayetteville-Perry Local School District
551 South Apple Street
Fayetteville, Ohio 45118

We have reviewed the *Independent Auditor's Report* of the Fayetteville-Perry Local School District, Brown County, prepared by BHM CPA Group Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 18, 2018

This page intentionally left blank.

Fayetteville-Perry Local School District

Table of Contents
For the Year Ended June 30, 2017

This page intentionally left blank.

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Fayetteville-Perry Local School District
Brown County
501 South Apple Street
Fayetteville, Ohio 45118-0281

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpagroup.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District’s internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
December 8, 2017

As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The School District's net position decreased $118,144 during this fiscal year's operations.

- General revenues accounted for $7,724,447 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for $2,688,759, or 26 percent of total revenues of $10,413,206.

- The School District had $10,531,350 in expenses related to governmental activities; only $2,688,759, of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of $7,724,447 were not adequate to provide for these programs.

Using the Basic Financial Statements

This report consists of a series of financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand Fayetteville-Perry Local School District as a whole, an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Fayetteville-Perry Local School District are the General Fund and the Debt Service Fund.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2017?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities. The School District's private purpose trust fund accounts for college scholarship programs for students.

Table 1 provides a summary of the School District's net position for fiscal years 2017 and 2016:

Table 1
Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and Other Assets	$ 7,396,041	$ 6,776,703
Capital Assets, Net	23,722,170	24,470,435
Total Assets	31,118,211	31,247,138
Deferred Outflows of Resources		
Pensions	2,301,832	1,198,948
Unamortized Deferred Amount on Refunding	291,450	309,114
Total Deferred Outflows of Resources	2,593,282	1,508,062
Liabilities		
Current and Other Liabilities	860,896	849,227
Long-Term Liabilities:		
Due Within One Year	309,912	500,321
Due in More than One Year:		
Net Pension Liabilities	12,280,052	10,675,149
Other Amounts	6,221,605	6,447,289
Total Liabilities	19,672,465	18,471,986
Deferred Inflows of Resources		
Pensions	626,158	784,405
Property Taxes not Levied to Finance Current Year Operations	1,933,450	1,901,245
Total Deferred Inflows of Resources	2,559,608	2,685,650
Net Position		
Net Investment in Capital Assets	18,104,367	18,402,918
Restricted	2,445,470	2,377,147
Unrestricted	(9,070,417)	(9,182,501)
Total Net Position	$ 11,479,420	$ 11,597,564

Many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

Total net position of the School District as a whole decreased $118,144. Current and other assets increased due primarily to an increase in equity in pooled cash and cash equivalents due to cash receipts exceeding cash disbursements during the fiscal year. Property taxes receivable also increased due to an increase in property tax values. Capital assets, net decreased due to current year depreciation expense, which was partially offset by current year additions. Deferred outflows of resources increased primarily due to pension activity. Long-term liabilities increased primarily to the due to an increase in the net pension liability which was partially offset by principal payments on other long term debts. Deferred inflows of resources decreased primarily due to pension activity which was partially offset by an increase in property taxes not levied to finance current year operations.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net position. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants and contributions. General Revenues include property taxes, unrestricted grants such as State foundation support, unrestricted gifts and donations, interest and miscellaneous revenues.

Table 2
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016*
Revenues		
Program Revenues		
Charges for Services and Sales	$ 1,584,200	$ 1,476,555
Operating Grants and Contributions	1,104,559	1,067,862
Total Program Revenues	2,688,759	2,544,417
General Revenues		
Property Taxes	2,779,475	2,541,248
Grants and Entitlements Not Restricted to Specific Programs	4,731,192	4,515,885
Gifts and Donations Not Restricted to Specific Programs	16,353	7,591
Interest	44,881	43,451
Miscellaneous	152,546	121,721
Total General Revenues	7,724,447	7,229,896
Total Revenues	10,413,206	9,774,313
Program Expenses		
Instruction:		
Regular	4,300,573	4,212,686
Special	1,206,615	1,052,700
Vocational	172,793	167,622
Student Intervention Services	1,909	1,909
Other	319,914	246,862
Support Services:		
Pupils	516,517	446,921
Instructional Staff	318,579	267,073
Board of Education	70,293	56,118
Administration	693,355	578,389
Fiscal	313,056	310,188
Operation and Maintenance of Plant	1,028,416	926,022
Pupil Transportation	489,526	429,077
Central	11,597	20,343
Operation of Non-Instructional Services:		
Food Services	562,726	519,948
Extracurricular Activities	223,467	221,887
Interest and Fiscal Charges	302,014	229,409
Total Expenses	10,531,350	9,687,154
Change in Net Position	(118,144)	87,159
Net Position, Beginning of Year	11,597,564	11,510,405
Net Position, End of Year	$ 11,479,420	$ 11,597,564

*Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year

Net position decreased by $118,144 in fiscal year 2017. Revenues reflect an increase in the amount of $638,893 from fiscal year 2016 to fiscal year 2017. This increase was due primarily to an increase in property tax revenues and grants and entitlements not restricted to specific programs. Property tax revenue increased due to an increase in property tax values. Grants and entitlements not restricted to specific programs increased due to an increase in foundation payments to the School District.

Instruction comprises approximately 57 percent of governmental program expenses and support services make up approximately 33 percent of the program expense of the School District. Overall, program expenses of the School District increased $844,196. The increase in regular instruction in 2017 was caused by an increased in foundation funding which was used for staffing increases and also due to pension expense in 2017. Special instruction increased due to excess costs to other school districts as well as increases in contract services through the education service center. Administration expenses increased from 2016 to 2017 due mainly to pension expense. Operation and maintenance of plant expenses increased from 2016 to 2017 due to higher repairs and maintenance expenses. Other instructional services increased from 2016 to 2017 due to an increase in the deduction taken from open enrollment through the foundation funding.

The DeRolph III decision has not eliminated the dependence on property taxes. Property taxes made up approximately 27 percent of revenues for governmental activities for the School District in fiscal year 2017.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017		2016*	
Program Expenses				
Instruction:				
Regular	$ 4,300,573	$ 3,638,742	$ 4,212,686	$ 3,568,296
Special	1,206,615	525,056	1,052,700	406,466
Vocational	172,793	95,847	167,622	97,186
Student Intervention Services	1,909	1,593	1,909	1,588
Other	319,914	266,934	246,862	205,293
Support Services:				
Pupils	516,517	431,021	446,921	371,708
Instructional Staff	318,579	265,380	267,073	221,892
Board of Education	70,293	58,652	56,118	46,668
Administration	693,355	537,925	578,389	446,359
Fiscal	313,056	264,434	310,188	261,586
Operation and Maintenance of Plant	1,028,416	837,599	926,022	754,796
Pupil Transportation	489,526	413,547	429,077	362,478
Central	11,597	9,676	20,343	16,917
Operation of Non-Instructional Services	562,726	115,231	519,948	77,153
Extracurricular Activities	223,467	78,940	221,887	74,942
Interest and Fiscal Charges	302,014	302,014	229,409	229,409
Total	$ 10,531,350	$ 7,842,591	$ 9,687,154	$ 7,142,737

*Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2017, only 26 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 74 percent is provided through taxes, entitlements and other general revenues.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $10,392,899 and expenditures of $9,839,482. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of $501,259. This increase was due to the revenues exceeding expenditures which resulted from an increase in property tax revenue and intergovernmental revenue from 2016 to 2017.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2017, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was $843 lower than the final budgeted amount in the General Fund.

For the General Fund, actual revenues and other financing sources were $8,395,865, which is $843 less than the final budget estimates. Final budget estimates were $402,287 higher than original budget estimates of $7,994,421, due to increases in intergovernmental and property tax revenues. Actual expenditures of $8,092,123 were the same as final budgeted expenditures. Final budgeted expenditures were $453,041 more than original budget estimates of $7,639,082 due to increases in regular instruction, other instruction and operation and maintenance of plant services.

Capital Assets and Debt Administration

Capital Assets

The Fayetteville-Perry Local School District's investment in capital assets as of June 30, 2017 was $23,722,170. This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, fixtures, equipment and textbooks, and vehicles.

For more information on capital assets, refer to note 9 to the basic financial statements.

Debt

At June 30, 2017 the School District had $5,450,406 in a loan and bonds outstanding (excluding premium and accretion) with $238,376 due within one year. The lease liability was $27,834 which is the amount that is due within one year. The net pension liability was $12,280,052 at June 30, 2017.

The School District's overall legal debt margin was $6,040,326 with an unvoted debt margin of $104,910 at June 30, 2017. For more information on debt, refer to note 14 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Jo Anna Carraher, Treasurer, at Fayetteville-Perry Local School District, 551 S. Apple Street, Fayetteville, Ohio 45118-0281.

This Page Intentionally Left Blank.

Fayetteville-Perry Local School District

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$4,410,939
Accounts Receivable	3,402
Intergovernmental Receivable	159,382
Property Taxes Receivable	2,822,318
Noncurrent Assets	
Non-Depreciable Capital Assets	89,380
Depreciable Capital Assets, Net	23,632,790
Total Assets	31,118,211
Deferred Outflows of Resources:	
Pensions:	
State Teachers Retirement System	1,747,230
School Employees Retirement System	554,602
Unamortized Deferred Amount on Refunding	291,450
Total Deferred Outflows of Resources	2,593,282
Liabilities:	
Accounts Payable	75,386
Accrued Wages and Benefits Payable	638,526
Intergovernmental Payable	114,828
Accrued Interest Payable	32,156
Long-Term Liabilities:	
Due Within One Year	309,912
Due in More Than One Year	
Net Pension Liability (See Note 11)	12,280,052
Other Amounts Due in More Than One Year	6,221,605
Total Liabilities	19,672,465
Deferred Inflows of Resources:	
Pensions:	
State Teachers Retirement System	530,552
School Employees Retirement System	95,606
Property Taxes not Levied to Finance Current Year Operations	1,933,450
Total Deferred Inflows of Resources	2,559,608
Net Position:	
Net Investment in Capital Assets	18,104,367
Restricted for:	
Capital Outlay	188,230
Debt Service	2,026,487
Classroom Facilities Maintenance	178,862
Other Purposes	51,891
Unrestricted	(9,070,417)
Total Net Position	$11,479,420

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 4,300,573	$581,020	$80,811	($3,638,742)
Special	1,206,615	161,565	519,994	(525,056)
Vocational	172,793	28,325	48,621	(95,847)
Student Intervention Services	1,909	316	0	(1,593)
Other	319,914	52,980	0	(266,934)
Support Services:				
Pupils	516,517	85,496	0	(431,021)
Instructional Staff	318,579	47,391	5,808	(265,380)
Board of Education	70,293	11,641	0	(58,652)
Administration	693,355	100,297	55,133	(537,925)
Fiscal	313,056	47,532	1,090	(264,434)
Operation and Maintenance of Plant	1,028,416	129,598	61,219	(837,599)
Pupil Transportation	489,526	75,979	0	(413,547)
Central	11,597	1,921	0	(9,676)
Operation of Non-Instructional Services:				
Food Services	562,726	173,108	274,387	(115,231)
Extracurricular Activities	223,467	87,031	57,496	(78,940)
Interest and Fiscal Charges	302,014	0	0	(302,014)
Total Governmental Activities	$10,531,350	$1,584,200	$1,104,559	(7,842,591)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,931,063
Debt Service	720,154
Capital Outlay	94,757
Capital Maintenance	33,501
Grants and Entitlements not Restricted to Specific Programs	4,731,192
Gifts and Donations not Restricted	16,353
Interest	44,881
Miscellaneous	152,546
Total General Revenues	7,724,447
Change in Net Position	(118,144)
Net Position at Beginning of Year	11,597,564
Net Position at End of Year	$11,479,420

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Balance Sheet

Governmental Funds

June 30, 2017

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$2,219,742	$1,793,365	$397,832	$4,410,939
Accounts Receivable	3,402	0	0	3,402
Interfund Receivable	24,585	0	0	24,585
Intergovernmental Receivable	53,218	0	106,164	159,382
Property Taxes Receivable	1,960,851	731,606	129,861	2,822,318
Total Assets	$4,261,798	$2,524,971	$633,857	$7,420,626
Liabilities:				
Accounts Payable	$50,831	$0	$24,555	$75,386
Accrued Wages and Benefits Payable	580,418	0	58,108	638,526
Interfund Payable	0	0	24,585	24,585
Intergovernmental Payable	92,949	0	21,879	114,828
Total Liabilities	724,198	0	129,127	853,325
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	1,346,464	498,484	88,502	1,933,450
Unavailable Revenue - Delinquent Taxes	58,365	22,124	3,928	84,417
Unavailable Revenue - Grants	0	0	70,729	70,729
Total Deferred Inflows of Resources	1,404,829	520,608	163,159	2,088,596
Fund Balances:				
Restricted	0	2,004,363	389,553	2,393,916
Assigned	123,298	0	0	123,298
Unassigned	2,009,473	0	(47,982)	1,961,491
Total Fund Balances	2,132,771	2,004,363	341,571	4,478,705
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$4,261,798	$2,524,971	$633,857	$7,420,626

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		$4,478,705
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,722,170
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	84,417	
Intergovernmental	70,729	
		155,146
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	2,301,832	
Deferred inflows of resources realted to pensions	(626,158)	
Net Pension Liability	(12,280,052)	
		(10,604,378)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(32,156)
Some liabilities and deferred outflows are not due and payable in the current period and therefore are not reported in the funds. Those liabilities and deferred outflows consist of:		
Bonds payable	(5,400,000)	
Bond premium	(458,847)	
Loans payable	(44,436)	
Capital Appreciation Bonds	(5,970)	
Accretion from Capital Appreciation Bonds	(138,401)	
Unamortized deferred amount on refunding	291,450	
Lease Payable	(27,834)	
Compensated absences	(456,029)	
		(6,240,067)
Net Position of Governmental Activities		$11,479,420

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2017

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$1,950,669	$727,585	$129,581	$2,807,835
Intergovernmental	5,020,038	105,520	661,219	5,786,777
Interest	44,580	0	301	44,881
Tuition and Fees	1,369,144	0	0	1,369,144
Extracurricular Activities	4,823	0	64,797	69,620
Gifts and Donations	4,804	0	11,549	16,353
Customer Sales and Services	0	0	145,436	145,436
Miscellaneous	128,937	0	23,609	152,546
Total Revenues	8,522,995	833,105	1,036,492	10,392,592
Expenditures:				
Current:				
Instruction:				
Regular	3,311,445	0	84,021	3,395,466
Special	940,933	0	224,104	1,165,037
Vocational	162,590	0	0	162,590
Student Intervention Services	1,909	0	0	1,909
Other	318,796	0	0	318,796
Support Services:				
Pupils	501,020	0	0	501,020
Instructional Staff	270,100	0	11,584	281,684
Board of Education	70,293	0	0	70,293
Administration	563,407	0	76,098	639,505
Fiscal	281,057	21,679	4,358	307,094
Operation and Maintenance of Plant	765,454	0	128,031	893,485
Pupil Transportation	455,433	0	466	455,899
Central	11,597	0	0	11,597
Operation of Non-Instructional Services:				
Food Services	156,484	0	378,534	535,018
Extracurricular Activities	122,873	0	79,359	202,232
Capital Outlay	88,038	0	81,309	169,347
Debt Service:				
Principal Retirement	0	475,000	63,207	538,207
Interest and Fiscal Charges	0	186,144	3,852	189,996
Total Expenditures	8,021,429	682,823	1,134,923	9,839,175
Excess of Revenues Over (Under) Expenditures	501,566	150,282	(98,431)	553,417
Other Financing Sources:				
Transfers Out	(307)	0	0	(307)
Transfers In	0	0	307	307
Total Other Financing Sources	(307)	0	307	0
Net Change in Fund Balances	501,259	150,282	(98,124)	553,417
Fund Balances at Beginning of Year	1,631,512	1,854,081	439,695	3,925,288
Fund Balances at End of Year	$2,132,771	$2,004,363	$341,571	$4,478,705

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds		$553,417
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	169,347	
Depreciation expense	(917,612)	
Excess of depreciation expense over capital asset additions		(748,265)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Delinquent property taxes	(28,360)	
Intergovernmental	48,974	
		20,614
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Decrease in accrued interest payable	1,433	
Amortization of bond premium	30,945	
Amortization of deferred amount on refunding	(17,664)	
Increase in compensated absences payable	(26,327)	
Increase in Accreted Debt	(126,732)	
		(138,345)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Bond principal payments	475,000	
Lease principal payment	55,801	
Loan payments	7,406	
Total long-term debt repayment		538,207
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		582,480
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(926,252)
Change in Net Position of Governmental Activities		($118,144)

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP Basis) and Actual

General Fund

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Total Revenues and Other Financing Sources	$7,994,421	$8,396,708	$8,395,865	($843)
Total Expenditures and Other Financing Uses	7,639,082	8,092,123	8,092,123	0
Net Change in Fund Balance	355,339	304,585	303,742	(843)
Fund Balance at Beginning of Year	1,615,095	1,615,095	1,615,095	0
Prior Year Encumbrances Appropriated	125,307	125,307	125,307	0
Fund Balance at End of Year	$2,095,741	$2,044,987	$2,044,144	($843)

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$10,829	$41,976
Liabilities:		
Undistributed Monies	0	$41,976
Net Position:		
Held in Trust for Scholarships	$10,829	

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Interest	$119
Total Additions	119
Deductions:	
Payments in Accordance with Trust Agreements	700
Change in Net Position	(581)
Net Position at Beginning of Year	11,410
Net Position at End of Year	$10,829

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fayetteville-Perry Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 43 non-certificated employees, 60 certificated personnel and 5 administrative employees who provide services to 894 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity:

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Regional Council of Governments (SCOCAR COG), the Metropolitan Educational Technology Association (META), the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in notes 16, 17, and 18 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within two categories, governmental and fiduciary.

Governmental Funds

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

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

> *Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. The major source of revenue for this fund is property taxes.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows of resources related to unamortized deferred amounts on refunding, the recording of deferred inflows and outflows of resources related to net pension liabilities, and the recording of net pension liabilities.

Revenues - Exchange and Non-exchange Transactions:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the deferred amount on refunding of bonds and for pensions. The deferred outflows of resources related to the pension are explained in Note 11. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are only reported on the Statement of Net Position. (See Note 11)

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2017, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to $44,580, $301 in other governmental funds, and $119 in the Private Purpose Trust Fund.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of $2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	5 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years

G. Bond Premiums/Issuance Costs/ Gain or Loss on Advance Refunding

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas bond issuance costs are expensed in the year incurred.

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

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow/outflow of resources on the Statement of Net Position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and special termination payments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year and will be paid with available financial resources. Bonds that will be paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

J. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred inflows and outflows related to the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's $2,445,470 in restricted net position, none is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Interfund Transactions and Balances

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

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either “due to/from other funds” or as “interfund receivable/payable.” All unpaid reimbursements between funds are reported as “due to/from other funds.” These amounts are eliminated in the governmental activities column of the statement of net position.

L. Estimates

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

M. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

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

O. Pensions

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

NOTE 3 - FUND BALANCES

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

Fund Balances	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for				
Other Purposes	$0	$0	$26,389	$26,389
Classroom Facilities Maintenance	0	0	177,845	177,845
Debt Services Payments	0	2,004,363	0	2,004,363
Capital Improvements	0	0	185,319	185,319
Total Restricted	0	2,004,363	389,553	2,393,916
Assigned to				
Other Purposes	123,298	0	0	123,298
Unassigned (Deficit)	2,009,473	0	(47,982)	1,961,491
Total Fund Balances	$2,132,771	$2,004,363	$341,571	$4,478,705

NOTE 4 - ACCOUNTABILITY

At June 30, 2017, the Lunchroom, Title VI-B and Title I Special Revenue Funds had deficit fund balances in the amounts of $8,489, $11,681 and $27,812, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

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

5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance

	General
GAAP Basis	$501,259
Adjustments:	
Revenue Accruals	(72,753)
Expenditure Accruals	26,054
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	(13,339)
Encumbrances	(137,479)
Budget Basis	$303,742

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made to the treasurer or qualified trustee only upon delivery of the securities representing the investments or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution.

As of June 30, 2017, the School District's bank balance of $3,425,805 either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

Investments

As of June 30, 2017, the School District had the following investment, which is in an internal investment pool:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	$ 1,210,842	< 1 year
Total Investment	$ 1,210,842	

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2017. As discussed further in Note 2E, STAR Ohio is reported at its share price.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investements in STAROhio were rated AAAm by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District invests only in investments that are allowable per the Ohio Revised Code. The School District has invested 100 percent in STAROhio. The School District has no investment policy.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, 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.

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2017, was $804,451 and is recognized as revenue: $556,022 in the General Fund, $210,998 in the Bond Retirement Debt Service Fund and $37,431 in the Other Governmental Funds.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 First-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$ 101,138,330	93.82%	$ 104,910,370	97.32%
Public Utility	2,777,330	2.58%	2,894,030	2.68%
Total Assessed Value	$ 103,915,660	96.39%	$ 107,804,400	100.00%
Tax rate per $1,000 of assessed valuation	$ 33.70		$ 33.70	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2017, consisted of accounts, intergovernmental grants, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Total
General Fund	$ 53,218
Non-Major Funds:	
Lunchroom Fund	10,850
Title VI-B Fund	28,504
Chapter I/Title I Fund	65,300
Title VI-R	1,510
Total Non-Major Funds	106,164
Total Intergovernmental Receivable	$ 159,382

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017, was as follows:

Governmental Activities	Balance at 6/30/2016	Additions	Deletions	Balance at 6/30/2017
Capital Assets, Not Being Depreciated				
Land	$ 89,380	$ -	$ -	$ 89,380
Total Capital Assets, Not Being Depreciated	89,380	-	-	89,380
Capital Assets, Being Depreciated				
Land Improvements	2,429,661	-	-	2,429,661
Buildings and Building Improvements	26,726,695	-	-	26,726,695
Furniture, Fixtures, Equipment and Textbooks	1,411,344	73,872	-	1,485,216
Vehicles	949,908	95,475	-	1,045,383
Total Capital Assets, Being Depreciated	31,517,608	169,347	-	31,686,955
Accumulated Depreciation				
Land Improvements	(1,052,704)	(170,955)	-	(1,223,659)
Buildings and Building Improvements	(4,243,348)	(610,900)	-	(4,854,248)
Furniture, Fixtures, Equipment and Textbooks	(991,740)	(106,660)	-	(1,098,400)
Vehicles	(848,761)	(29,097)	-	(877,858)
Total Accumulated Depreciation	(7,136,553)	(917,612)	-	(8,054,165)
Total Capital Assets Being Depreciated, Net	24,381,055	(748,265)	-	23,632,790
Governmental Activities Capital Assets, Net	$ 24,470,435	$ (748,265)	$ -	$ 23,722,170

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$707,431
Special	859
Vocational	1,758
Support Services:	
Pupils	262
Instructional Staff	20,827
Administration	11,623
Operation and Maintenance of Plant	117,822
Pupil Transportation	30,271
Operation of Non-Instructional Services	16,910
Extracurricular Activities	9,849
Total	$917,612

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with Ohio Casualty Insurance for general liability insurance with a $2,000,000 single occurrence limit and a $4,000,000 aggregate. Property is protected by Ohio Casualty Insurance and holds a $1,000 deductible.

The School District's vehicles are covered by Ohio Casualty Insurance under a business policy and hold a $1,000 deductible for comprehensive and collision, with a $2,000,000 limit on any accident.

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

B. Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (note 17) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 11- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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 in included in *intergovernmental payable* on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

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

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) (continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2017, the entire allocation was designated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund for fiscal year 2017.

The School District's contractually required contribution to SERS was $150,073 for fiscal year 2017. Of this amount $18,507 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (continued)

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 was 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 increased 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.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal year 2016 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was $434,426 for fiscal year 2017. Of this amount $64,264 is reported as an intergovernmental payable.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

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

The net pension liability reported as of June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability - Current Year	0.0340872%	0.02923305%	
Proportionate Share of the Net Pension Liability - Prior Year	0.0354184%	0.03131520%	
Change in Proportionate Share	-0.0013312%	-0.00208215%	
Proportion of the Net Pension Liability	$ 2,494,869	$ 9,785,183	$ 12,280,052
Pension Expense	$ 236,838	$ 689,414	$ 926,252

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**SERS**	**STRS**	**Total**
Differences between expected and actual economic experience	$ 33,650	$ 395,368	$ 429,018
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	4,832	100,733	105,565
Changes of assumptions	166,546	-	166,546
Differences between projected and actual investment earnings	205,790	812,433	1,018,223
School District contributions subsequent to the measurement date	143,784	438,696	582,480
Total	$ 554,602	$ 1,747,230	$ 2,301,832

Deferred Inflows of Resources	**SERS**	**STRS**	**Total**
Difference from a change in proportion and differences between School District contributions and proportionate share of contributions	$ 95,606	$ 530,552	$ 626,158
Total	$ 95,606	$ 530,552	$ 626,158

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$582,480 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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:			
2018	$70,104	$85,463	$155,567
2019	69,956	85,466	155,422
2020	115,995	410,629	526,624
2021	59,157	196,424	255,581
Total	$315,212	$777,982	$1,093,194

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Future Salary Increases, including inflation	4.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Inflation	3.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females.

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

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
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 Estate	15.00	5.00
Multi-Asset Strategy	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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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%)
School District's proportionate share of the net pension liability	$3,303,050	$2,494,869	$1,818,387

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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	10 Year Expected Nominal Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* Includes the real rate of return and inflation of 2.5% and does not include investment expenses.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

NOTE 11- DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$13,003,713	$9,785,183	$7,070,163

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's NPL is expected to be significant.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, no members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were $0 for each year, which equaled the required contributions each year.

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers a postemployment benefit plan.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500.

The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2017, 2016, and 2015 fiscal years equaled $17,479 $17,398, and $28,123, respectively, which is equal to the required amounts for those years.

The SERS Retirement Board establishes 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan is included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for teachers, administrators, and classified employees. will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

NOTE 13 - EMPLOYEE BENEFITS (continued)

B. Special Termination Benefit

The School District offers an Early Retirement Incentive program to all employees who are eligible to retire from either SERS or STRS Ohio. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

C. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Lincoln National Insurance. Vision insurance is provided by the School District to all employees through Vision Service Plan.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Additions	Deductions	Amount Outstanding 6/30/17	Due in One Year
School Improvement Refunding Bonds 2006					
3.75 - 4.5%	$ 690,000	$ -	$ (425,000)	$ 265,000	$ 225,000
Premium on Refunding	10,709	-	(3,569)	7,140	-
School Improvement Refunding Bonds 2014					
1.00 - 4.00%	5,135,000	-	-	5,135,000	-
Premium on Refunding	479,083	-	(27,376)	451,707	-
2014 Capital Appreciation Bonds	9,997	-	(4,027)	5,970	5,970
2014 Accretion Capital Appreciation Bonds	57,642	126,732	(45,973)	138,401	-
Loan for Land Purchase	51,842	-	(7,406)	44,436	7,406
Total Long-Term Bonds and Loans	6,434,273	126,732	(513,351)	6,047,654	238,376
Computer Lease Liability	83,635	-	(55,801)	27,834	27,834
Net Pension Liability:					
STRS	8,654,141	1,131,042	-	9,785,183	-
SERS	2,021,008	473,861	-	2,494,869	-
Total Net Pension Liablity	10,675,149	1,604,903	-	12,280,052	-
Compensated Absences	429,702	511,177	(484,850)	456,029	43,702
Total General Long-Term Obligations	$ 17,622,759	$ 2,242,812	$ (1,054,002)	$ 18,811,569	$ 309,912

School Improvement Refunding Bonds 2006

The School District issued $8,850,000 in general obligation bonds for the purpose of retiring the Classroom Facilities Bond Anticipation Notes. The Classroom Facilities Bond Anticipation Notes were originally issued for the purpose of renovating the middle school building and constructing a new building for grades six through twelve. $5,195,000 of the Bonds were defeased with the proceeds from the refunding bonds during the fiscal year 2015. The remaining $1,090,000 is being retired with property taxes from the Debt Service Fund through December 2018.

School Improvement Refunding Bonds 2014

The School District issued $5,194,997 in general obligation bonds, advance refunding $5,195,000 of the School Improvement Refunding Bonds, Series 2006. The bonds were issued for a 19 year period with final maturity on December 1, 2033. The bonds are being retired with property taxes from the Debt Service Fund.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The advance refunding of the 2006 School Improvement Bonds resulted in a difference of $335,610 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized to interest expense over the life of the bonds using the straight-line method.

The School District defeased $5,195,000 of the 2006 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2017, these bonds were paid off.

The 2014 bonds are broken out as follows. $4,495,000 are current interest (serial) bonds to be redeemed over a period through December 1, 2033. $690,000 are current interest (term) bonds to be redeemed on December 1, 2029. $9,997 are capital appreciation bonds of which $4,027 matured on December 1, 2016 and the other $5,970 will mature December 1, 2017. These bonds have an equivalent interest rate of 178.10540% and one matured at full value of $50,000 on December 1, 2016 and the other will mature at full value of $265,000 on December 1, 2017. These bonds were accreted $126,732 during fiscal year 2017.

The current interest (term) bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Fiscal Year	Amount
2029	$340,000
2030	350,000
Total	$690,000

On September 9, 2013, the District entered into a real estate purchase agreement with David and Sandra Brinkman for the purpose of acquiring 10.58 acres of land. The loan totaled $74,060 and is to be paid over ten years in installments of $7,406 maturing in fiscal year 2023. The loan will be paid from the permanent improvement fund. This land was purchased for the purpose of generating power provided by Solar Advocate Development-31, LLC from solar panels placed on the land. The solar panels used will remain owned by Solar Advocate Development-31, LLC; however, the power generated will be used and charged to the District for a discounted rate.

Principal and interest requirements to retire the school improvement refunding bonds outstanding and the land purchase loan at June 30, 2017, are as follows:

	School Improvement Refunding Bonds 2006		School Improvement Refunding Bonds 2014			Land Purchase Loan	
Fiscal Year Ending June 30,	Principal	Interest	Principal	Interest	Capital Appreciation	Principal	Total
2018	225,000	230,635	5,970	159,880	265,000	7,406	893,891
2019	40,000	215,760	260,000	163,250	-	7,406	686,416
2020	-	-	265,000	158,000	-	7,406	430,406
2021	-	-	270,000	152,650	-	7,406	430,056
2022	-	-	280,000	147,150	-	14,812	441,962
2023-2027	-	-	1,500,000	618,063	-	-	2,118,063
2028-2032	-	-	1,755,000	340,688	-	-	2,095,688
2033-2034	-	-	805,000	32,500	-	-	837,500
Total	$ 265,000	$ 446,395	$ 5,140,970	$ 1,772,181	$ 265,000	$ 44,436	$ 7,933,982

The above amortization for capital appreciation bonds reflects the fully accreted value of those bonds and will not agree to the schedule on page 45.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was $6,040,326 with an unvoted debt margin of $104,910 at June 30, 2017.

NOTE 15 - LEASES - LESSEE DISCLOSURE

In September of 2015, the School District entered into a lease in the amount of $83,635 for laptops. This lease will be repaid from the permanent improvement fund. The School District will have the option to purchase the laptops at the end of the lease for no additional cost. Since the laptops are under School District's capitalization threshold, the laptops were not capitalized. Therefore the lease obligation is not included in the calculation of the net investment in capital assets.

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	Total Payments
2018	29,827
Total	29,827
Less: Amount Representing Interest	(1,993)
Present Value of Minimum Lease Payments	$27,834

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association Council of Governments

The School District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCARCoG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCARCoG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCARCoG consists of two representatives from each county in the SCOCARCoG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCARCoG including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCARCoG entered into a merger agreement with Metropolitan Educational Technology Association ("META"). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCARCoG, and once these remaining liabilities are satisfied, SCOCARCoG will be dissolved and the member districts will become members of META. SCOCARCoG entered into a subcontract agreement with META to provide services to SCOCARCoG, and on behalf of SCOCARCoG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCARCoG is currently governed by a four person executive governing board. The School District paid SCOCARCoG $66,243 for services provided during the fiscal year.

B. Metropolitan Educational Technology Association

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology and student services, a purchasing cooperative, and other individual services based on each client's needs.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Metropolitan Educational Technology Association (continued)

The governing board of META consists of a president, vice president and six board members who represent the members of META. The board works with META's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each member's degree of control is limited to its representation on the Board. The School District paid META $0 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

C. Southern Hills Joint Vocational School District

The Southern Hills Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. It is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School District. A board member is appointed by each local Board of Education within the Southern Hills Joint Vocational School District, including Fayetteville-Perry Local School District. To obtain financial information, write to the Southern Hills Joint Vocational School District, Michael Boyd, who serves as Treasurer, at 9193 Hamer Road, Georgetown, Ohio 45121.

D. Unified Purchasing Cooperative of the Ohio River Valley

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 53 public school districts and three joint vocational school districts in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent.

Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

NOTE 17 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County Schools Benefits Consortium

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville–Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg–Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership.

NOTE 17 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL (continued)

Brown County Schools Benefits Consortium (continued)

For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 9231 Hamer Rd., Georgetown, Ohio 45121.

NOTE 18 - INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the fiscal year-end set-aside amount for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2016	$0
Current Year Set-aside Requirement	158,346
Current Year Offsets	(158,346)
Total	$0
Balance Carried Forward to Fiscal Year 2018	$0
Set Aside Reserve Balance as of June 30, 2017	$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

NOTE 20 – CONTINGENCIES (continued)

B. Litigation

The School District is not party to any legal proceedings.

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the 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 School District.

NOTE 21 - INTERFUND ACTIVITY

Interfund Balances

Interfund balances at June 30, 2017, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	$24,585	$0
Non-major Funds:		
Special Education	0	6,932
Title I	0	17,653
Total	$24,585	$24,585

The interfund receivables in the General fund are the result of the School District moving unrestricted monies to a grant fund which operates on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue fund.

Interfund Transfers

A transfer of $307 was made from the unrestricted revenues collected in the General Fund to the District Managed Activity to finance programs within this fund.

NOTE 22 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the School District as there were no tax abatements in effect.

Fayetteville-Perry Local School District

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Four Years

	2016	2015	2014	2013
Total plan pension liability	$ 19,770,708,121	$ 18,503,280,961	$17,881,827,171	$17,247,161,078
Plan net position	12,451,630,823	12,797,184,030	12,820,884,107	11,300,482,029
Net pension liability	7,319,077,298	5,706,096,931	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.0340872%	0.0354184%	0.0363170%	0.0363170%
School District's proportionate share of the net pension liability	$ 2,494,869	$ 2,021,008	$ 1,837,983	$ 2,159,655
School District's covered-employee payroll	$ 1,058,621	$ 1,066,244	$ 1,109,733	$ 1,503,656
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.67%	189.54%	165.62%	143.63%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Years

	2016	2015	2014	2013
Total plan pension liability	$ 100,756,422,489	$99,014,653,744	$ 96,167,057,104	$ 94,366,693,720
Plan net position	67,283,408,184	71,377,578,736	71,843,596,331	65,392,746,348
Net pension liability	33,473,014,305	27,637,075,008	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.02923305%	0.03131352%	0.03077889%	0.03077889%
School District's proportionate share of the net pension liability	$ 9,785,183	$ 8,654,141	$ 7,486,491	$ 8,917,859
School District's covered-employee payroll	$ 3,075,879	$ 3,267,043	$ 3,144,846	$ 3,282,254
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	318.13%	264.89%	238.06%	271.70%
Plan fiduciary net position as a percentage of the total pension liability	66.78%	72.09%	74.71%	69.30%

(1) Information prior to 2013 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Contractually required contribution	$ 150,073	$ 148,207	$ 140,531	$ 153,809	$ 208,106	$ 129,034	$ 120,552	$ 192,643	$ 116,630	$ 132,340
Contributions in relation to the contractually required contribution	(150,073)	(148,207)	(140,531)	(153,809)	(208,106)	(129,034)	(120,552)	(192,643)	(116,630)	(132,340)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$1,071,950	$1,058,621	$1,066,244	$1,109,733	$1,503,656	$ 959,361	$ 959,045	$1,422,770	$1,185,264	$1,347,658
Contributions as a percentage of covered employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Fayetteville-Perry Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 434,426	$ 430,623	$ 457,386	$ 408,830	$ 426,693	$ 412,553	$ 416,512	$ 477,427	$ 467,174	$ 455,076
Contributions in relation to the contractually required contribution	(434,426)	(430,623)	(457,386)	(408,830)	(426,693)	(412,553)	(416,512)	(477,427)	(467,174)	(455,076)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School District covered-employee payroll	$ 3,103,043	$ 3,075,879	$ 3,267,043	$ 3,144,846	$ 3,282,254	$ 3,173,485	$ 3,203,938	$ 3,672,515	$ 3,593,646	$ 3,500,585
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Fayetteville-Perry Local School District
501 South Apple Street
Fayetteville, Ohio 45118-0281

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayetteville-Perry Local School District, Brown County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 8, 2017.

Internal Control over Financial Reporting

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

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

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

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpagroup.com

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
December 8, 2017

FAYETTEVILLE – PERRY LOCAL SCHOOL DISTRICT

BROWN 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 30, 2018