



Dave Yost • Auditor of State

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2017**

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STARK COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

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 Tuslaw Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tuslaw Local School District, Stark 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.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018

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Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of Tuslaw Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Revenues for governmental activities totaled \$16,088,253 in fiscal year 2017. Of this total, 78 percent consisted of general revenues while program revenues accounted for the balance of 22 percent.
- During the second half of fiscal year 2017, the School District was bargaining a contract with the certified staff. In June 2017, the School District settled with the certified staff, approving a three year agreement beginning July 1, 2017 through June 30, 2020. The School District is also operating under a new three year classified employee handbook which describes employment conditions and benefits for classified employees beginning July 1, 2017 through June 30, 2020.
- The School District continues to receive funds from a 7.0 mill emergency renewal levy, which was passed in November of 2014 for a ten year period of time. The levy had previously been on a five year cycle. The levy generates \$1.2 million annually and is an important funding source for operating expenditures of the School District.

Using these Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the statement of net position and the statement of activities, the School District is classified into governmental activities. All of the School District's non-fiduciary programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District's major funds are described on page 12. 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 most significant funds. The School District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

You may recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Tuslaw Local School District
Management's Discussion and Analysis
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Unaudited

Table 1
Net Position

	<i>Governmental Activities</i>		
	2017	2016	Change
Assets			
Current and Other Assets	\$14,393,663	\$12,776,563	\$1,617,100
Capital Assets, Net	24,053,768	24,705,175	(651,407)
<i>Total Assets</i>	<u>38,447,431</u>	<u>37,481,738</u>	<u>965,693</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	313,217	351,928	(38,711)
	<u>3,686,831</u>	<u>1,660,217</u>	<u>2,026,614</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,000,048</u>	<u>2,012,145</u>	<u>1,987,903</u>
Liabilities			
Current Liabilities	1,655,658	1,491,854	(163,804)
Long-Term Liabilities:			
Due Within One Year	745,199	752,293	7,094
Due in More Than One Year	11,027,678	11,550,217	522,539
Net Pension Liability	<u>20,687,945</u>	<u>17,118,123</u>	<u>(3,569,822)</u>
<i>Total Liabilities</i>	<u>34,116,480</u>	<u>30,912,487</u>	<u>(3,203,993)</u>
Deferred Inflows of Resources			
Property Taxes	5,965,197	5,734,159	(231,038)
Pension	<u>205,205</u>	<u>1,144,214</u>	<u>939,009</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,170,402</u>	<u>6,878,373</u>	<u>707,971</u>
Net Position			
Net Investment in Capital Assets	13,970,786	13,930,586	40,200
Restricted	1,672,033	1,622,962	49,071
Unrestricted (Deficit)	<u>(13,482,222)</u>	<u>(13,850,525)</u>	<u>368,303</u>
<i>Total Net Position</i>	<u>\$2,160,597</u>	<u>\$1,703,023</u>	<u>\$457,574</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," and GASB 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed that follow, 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.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 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.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

GASB 68 requires the net pension liability to equal 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 assets increased in fiscal year 2017 due to increases in cash and cash equivalents and taxes receivable; however, total asset increases were offset slightly by a decrease in net capital assets. In fiscal year 2013, there were significant additions to buildings and improvements, as the Tuslaw Elementary School building was completed. In fiscal year 2017, these assets and others continue to be depreciated. After factoring in annual depreciation on capital assets, the category shows an overall decrease.

Liabilities increased in fiscal year 2017. The category primarily responsible for this increase was the net pension liability line item. The net pension liability increase represents the School District's proportionate share of the pension plans' unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability. This was slightly offset by annual debt payments being made on the School District's bonds.

Tuslaw Local School District
Management's Discussion and Analysis
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The School District's expense per pupil has historically been one of the lowest in the State. The School District has always spent funds cautiously. Due to the unresolved funding issue of the State and the School District continually being required to implement unfunded State and Federal mandates, the School District is reliant upon additional property tax dollars to cover operating costs. The School District's voters passed a 7.0 mill renewal levy which was on the November, 2014 ballot. This renewal levy will generate approximately \$1.2 million annually for the purpose of current operating expenses.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$12,625,529 or 78 percent of the total revenue. The most significant portion of the general revenue is local property tax and State support. The remaining amount of revenue received was in the form of program revenues, which equated to \$3,462,724, or only 22 percent of total revenue.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities		
	2017	2016	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$2,090,418	\$1,813,334	\$277,084
Operating Grants and Contributions	1,372,306	1,191,652	180,654
<i>Total Program Revenues</i>	3,462,724	3,004,986	457,738
General Revenues:			
Property Taxes	6,224,326	5,847,374	376,952
Grants and Entitlements	6,344,774	6,414,162	(69,388)
Donations	0	650	(650)
Investments	41,889	16,762	25,127
Miscellaneous	14,540	9,374	5,166
<i>Total General Revenues</i>	12,625,529	12,288,322	337,207
<i>Total Revenues</i>	\$16,088,253	\$15,293,308	\$794,945

(continued)

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2
Changes in Net Position (continued)

	Governmental Activities		
	2017	2016	Change
Program Expenses			
Instruction:			
Regular	\$6,438,086	\$5,934,706	(\$503,380)
Special	2,156,738	2,071,991	(84,747)
Vocational	111,068	102,729	(8,339)
Student Intervention Services	3,864	2,408	(1,456)
Support Services:			
Pupils	963,173	853,489	(109,684)
Instructional Staff	450,410	404,166	(46,244)
Board of Education	17,663	15,246	(2,417)
Administration	1,060,576	921,637	(138,939)
Fiscal	407,738	411,410	3,672
Business	43,053	43,157	104
Operation and Maintenance of Plant	1,216,911	1,098,060	(118,851)
Pupil Transportation	835,588	822,339	(13,249)
Central	68,296	76,483	8,187
Operation of Non-Instructional Services	618,738	531,571	(87,167)
Extracurricular Activities	841,246	862,937	21,691
Interest and Fiscal Charges	397,531	390,190	(7,341)
<i>Total Program Expenses</i>	<u>15,630,679</u>	<u>14,542,519</u>	<u>(1,088,160)</u>
Change in Net Position	457,574	750,789	(293,215)
<i>Net Position Beginning of Year</i>	<u>1,703,023</u>	<u>952,234</u>	<u>750,789</u>
<i>Net Position End of Year</i>	<u><u>\$2,160,597</u></u>	<u><u>\$1,703,023</u></u>	<u><u>\$457,574</u></u>

Governmental Activities

The School District carefully plans its financial existence by forecasting its revenues and expenses for the next five years. The School District has a limited levy for a total of 7.5 mills, which currently generates an estimated \$829,190 in revenue annually and was renewed during fiscal year 2013. The School District passed a five year emergency levy in May 2014 that generates approximately \$1.2 million annually. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

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Management's Discussion and Analysis
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As one can see, approximately 56 percent of the School District's total expenses are instructional expenses. Additional support services for pupils, staff and business operations encompass an additional 32 percent. The remaining amount of program expenses, 12 percent, is to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities. Actual expenses were consistent with expectations of the School District.

The statement of activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Governmental Activities:				
Instruction:				
Regular	\$6,438,086	\$5,730,306	\$5,934,706	\$5,406,625
Special	2,156,738	1,064,383	2,071,991	1,101,788
Vocational	111,068	75,791	102,729	75,369
Student Intervention Services	3,864	3,419	2,408	2,192
Support Services:				
Pupils	963,173	763,709	853,489	691,636
Instructional Staff	450,410	383,168	404,166	355,058
Board of Education	17,663	15,648	15,246	13,802
Administration	1,060,576	935,213	921,637	829,643
Fiscal	407,738	364,081	411,410	375,141
Business	43,053	38,094	43,157	39,294
Operation and Maintenance of Plant	1,216,911	1,094,084	1,098,060	999,745
Pupil Transportation	835,588	728,602	822,339	736,796
Central	68,296	60,429	76,483	69,637
Operation of Non-Instructional Services	618,738	27,790	531,571	67,344
Extracurricular Activities	841,246	485,707	862,937	383,273
Interest and Fiscal Charges	397,531	397,531	390,190	390,190
Total	\$15,630,679	\$12,167,955	\$14,542,519	\$11,537,533

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 40 percent of total costs are directly supported by local property taxes. Grant and entitlements support about 41 percent of total costs. Program revenues only account for 22 percent of all governmental expenses.

Tuslaw Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The School District's Funds

Information regarding the School District's major funds can be found beginning on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues totaling \$16,043,979 and expenditures totaling \$14,867,144. The general fund balance increased by \$1,166,650 as revenues increased from the prior fiscal year and outpaced expenditures. The bond retirement fund balance increased by \$14,432 as property tax revenue was higher than the previous fiscal year.

General Fund Budgeting Highlights

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

The School District uses a site-based style of budgeting and has in place systems that are designed to tightly control disbursements but provide flexibility for site based decision and management.

For the general fund, the original budget basis estimated revenues (at the time the full year's appropriation was first passed) and the final budget basis revenue estimate were relatively consistent. Actual revenues were significantly higher than final budget basis revenues, primarily due to higher property taxes and tuition and fees. There was an increase from the original budget basis expenditures to the final budget basis expenditures to realistically estimate the School District's expenditures in line with prior year trends and anticipated expenditures for the fiscal year. The original budget basis expenditures are temporarily appropriated in June and subsequently finalized in September of each year with adjustments made at that time.

The School District's general fund unencumbered ending cash balance totaled \$5,597,956, which was more than the final budgeted amount of \$4,135,288, due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$24,053,768 invested in land, buildings and improvements, furniture and fixtures, and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2017 values compared to fiscal year 2016.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<i>2017</i>	<i>2016</i>
Land	\$725,598	\$725,598
Buildings and Improvements	31,262,456	31,245,687
Furniture and Fixtures	1,845,820	1,848,821
Vehicles	1,446,781	1,377,603
Accumulated Depreciation	(11,226,887)	(10,492,534)
<i>Totals</i>	\$24,053,768	\$24,705,175

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Management's Discussion and Analysis
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Unaudited

All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Debt Administration

Table 5 below summarizes the School District's outstanding debt.

Table 5
Outstanding Debt at Year End

	<i>Governmental Activities</i>	
	<i>2017</i>	<i>2016</i>
HB 264 Energy Conservation Bonds	\$506,115	\$563,637
General Obligation Bonds:		
Serial and Term Bonds	9,245,000	9,860,000
Capital Appreciation Bonds	214,118	214,118
Accretion on Capital Appreciation Bonds	434,315	317,836
<i>Totals</i>	\$10,399,548	\$10,955,591

During fiscal year 2010, \$878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

The School District sold \$9,404,960 of refunding bonds on November 17, 2011. This transaction refinanced a portion of the School District's bonds that were originally sold in 2002. The new bonds have a final maturity of December 1, 2030 and carry an interest rate of 3.2 percent.

The School District sold \$2,549,158 of refunding bonds on December 14, 2011. This transaction refinanced some of the remaining portion of the School District's bonds that were originally sold in 2002 and were not already refunded by the issue sold in November 2011. The new bonds have a final maturity of December 1, 2018 and carry an interest rate of 1.49 percent.

The School District's overall debt margin is \$7,992,769 and the unvoted debt margin is \$199,533. For more information on debt refer to Note 15 of the basic financial statements.

School District Outlook

The School District approaches the future with a very conservative approach. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The economic condition of the State and the Nation are having a great impact on the financial status of the School District.

The financial future of the School District is faced with challenges which are both internal and external in nature. The internal challenges will continue to exist as the School District must rely heavily on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines what to do with the tremendous State revenue shortfalls and determine how to fund schools adequately.

Tuslaw Local School District
Management's Discussion and Analysis
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Unaudited

Fluctuations in real and public utility personal property taxes are attributed to changes in market values due to reappraisal and updates. The School District receives real and public utility personal property tax revenues from both Stark and Wayne Counties. Stark County completed its three-year triennial update of properties in the County in 2015. Tangible personal property taxes were phased out in fiscal year 2012.

Although the School District relies heavily on its property taxpayers to support its operations, community support for the schools is quite strong. The School District's five year emergency levy which yields \$1.2 million annually expired in December 2015. In November 2014, the community renewed this levy, including increasing its term to 10 years. Therefore, the levy renewal will continue to be collected beginning in fiscal year 2016 and beyond. The School District's five year limited levy which yields \$829,190 annually will expire in December 2018. The voters approved the renewal of this levy in November 2017, and it will continue to be collected beginning in fiscal year 2019 and beyond.

Additional revenue and/or reductions in expenditures will be necessary to avoid negative general fund balances in future years. The School District has communicated to the community that it relies upon their support for the major part of its operations, and will continue to work diligently to plan expenditures, staying carefully within the School District's 5-year financial plan. State law limits the growth of income generated by local levies rendering revenue relatively constant.

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding was recently established as part of the State's biennial budget for fiscal years 2018 and 2019. State funding for fiscal years 2018, 2019, and beyond is projected to be comparable to fiscal year 2017, as the School District is not projected to have any increases. The State of Ohio is currently utilizing a funding formula that is ADM-driven. Management is required to plan carefully and prudently to provide adequate resources to meet student needs in the future. Since the School District's operations are heavily dependent upon State funding, the State's economic situation is of primary concern to the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Barbara Markland, Treasurer, at Tuslaw Local School District, 1835 Manchester Avenue NW, Massillon, Ohio 44647, or email at bmarkland@tuslawschools.org.

Basic Financial Statements

Tuslaw Local School District

Statement of Net Position

June 30, 2017

	<u>Governmental</u>
	<u>Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,652,136
Inventory Held for Resale	1,453
Accrued Interest Receivable	3,958
Intergovernmental Receivable	267,086
Prepaid Items	21,678
Taxes Receivable	6,447,352
Non-Depreciable Capital Assets	725,598
Depreciable Capital Assets, net	<u>23,328,170</u>
<i>Total Assets</i>	<u>38,447,431</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	313,217
Pension	<u>3,686,831</u>
<i>Total Deferred Outflows of Resources</i>	<u>4,000,048</u>
Liabilities	
Accounts Payable	94,469
Accrued Wages and Benefits	1,230,882
Intergovernmental Payable	278,905
Accrued Interest Payable	25,009
Matured Compensated Absences Payable	26,393
Long-Term Liabilities:	
Due Within One Year	745,199
Due in More Than One Year	11,027,678
Net Pension Liability (See Note 12)	<u>20,687,945</u>
<i>Total Liabilities</i>	<u>34,116,480</u>
Deferred Inflows of Resources	
Property Taxes	5,965,197
Pension	<u>205,205</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,170,402</u>
Net Position	
Net Investment in Capital Assets	13,970,786
Restricted for Debt Service	883,226
Restricted for Capital Outlay	410,348
Restricted for Other Purposes	378,459
Unrestricted (Deficit)	<u>(13,482,222)</u>
<i>Total Net Position</i>	<u>\$2,160,597</u>

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	<i>Program Revenues</i>			
<i>Expenses</i>	<i>Charges for Services and Sales</i>	<i>Operating Grants and Contributions</i>	<i>Net (Expenses) Revenue and Changes in Net Position</i>	
<i>Governmental Activities</i>				
Instruction:				
Regular	\$6,438,086	\$683,787	\$23,993	(\$5,730,306)
Special	2,156,738	192,967	899,388	(1,064,383)
Vocational	111,068	11,916	23,361	(75,791)
Student Intervention Services	3,864	445	0	(3,419)
Support Services:				
Pupils	963,173	107,375	92,089	(763,709)
Instructional Staff	450,410	46,359	20,883	(383,168)
Board of Education	17,663	2,015	0	(15,648)
Administration	1,060,576	112,566	12,797	(935,213)
Fiscal	407,738	43,657	0	(364,081)
Business	43,053	4,959	0	(38,094)
Operation and Maintenance of Plant	1,216,911	122,827	0	(1,094,084)
Pupil Transportation	835,588	86,815	20,171	(728,602)
Central	68,296	7,867	0	(60,429)
Operation of Non-Instructional Services	618,738	324,973	265,975	(27,790)
Extracurricular Activities	841,246	341,890	13,649	(485,707)
Interest and Fiscal Charges	397,531	0	0	(397,531)
<i>Totals</i>	<i>\$15,630,679</i>	<i>\$2,090,418</i>	<i>\$1,372,306</i>	<i>(12,167,955)</i>
<i>General Revenues</i>				
Property Taxes Levied for:				
General Purposes				5,315,845
Debt Service				813,042
Classroom Facilities Maintenance				95,439
Grants and Entitlements not Restricted to Specific Programs				6,344,774
Investment Earnings				41,889
Miscellaneous				14,540
				<i>12,625,529</i>
				<i>Change in Net Position</i>
				457,574
				<i>Net Position Beginning of Year</i>
				1,703,023
				<i>Net Position End of Year</i>
				\$2,160,597

See accompanying notes to the basic financial statements

Tuslaw Local School District

*Balance Sheet
Governmental Funds
June 30, 2017*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,997,364	\$840,340	\$814,432	\$7,652,136
Inventory Held for Resale	0	0	1,453	1,453
Accrued Interest Receivable	3,958	0	0	3,958
Interfund Receivable	20,448	0	0	20,448
Intergovernmental Receivable	96,398	0	170,688	267,086
Prepaid Items	21,095	0	583	21,678
Taxes Receivable	5,599,887	847,465	0	6,447,352
Total Assets	\$11,739,150	\$1,687,805	\$987,156	\$14,414,111
Liabilities				
Current Liabilities:				
Accounts Payable	\$80,393	\$0	\$14,076	\$94,469
Accrued Wages and Benefits	1,132,456	0	98,426	1,230,882
Interfund Payable	0	0	20,448	20,448
Intergovernmental Payable	260,802	0	18,103	278,905
Matured Compensated Absences Payable	26,393	0	0	26,393
Total Liabilities	1,500,044	0	151,053	1,651,097
Deferred Inflows of Resources				
Property Taxes	5,185,627	779,570	0	5,965,197
Unavailable Revenue	243,097	39,513	115,808	398,418
Total Deferred Inflows of Resources	5,428,724	819,083	115,808	6,363,615
Fund Balances				
Nonspendable	21,095	0	583	21,678
Restricted	0	868,722	762,012	1,630,734
Assigned	386,226	0	0	386,226
Unassigned (Deficit)	4,403,061	0	(42,300)	4,360,761
Total Fund Balances	4,810,382	868,722	720,295	6,399,399
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$11,739,150	\$1,687,805	\$987,156	\$14,414,111

See accompanying notes to the basic financial statements

Tuslaw Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2017*

Total Governmental Fund Balances	\$6,399,399
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,053,768
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds:	
Delinquent Property Taxes	277,406
Intergovernmental	116,472
Tuition and Fees	4,540
<i>Total</i>	398,418
In the Statement of Activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.	(25,009)
Long-term liabilities, including bonds and compensated absences payable are not due and payable in the current period:	
Energy Conservation Bonds	(506,115)
General Obligation Bonds	(9,459,118)
Premium on General Obligation Bonds	(430,966)
Deferred Charge on Refunding	313,217
Capital Appreciation Bonds Accretion	(434,315)
Compensated Absences	(942,363)
<i>Total</i>	(11,459,660)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	3,686,831
Net Pension Liability	(20,687,945)
Deferred Inflows - Pension	(205,205)
<i>Total</i>	(17,206,319)
 <i>Net Position of Governmental Activities</i>	 \$2,160,597

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$5,330,346	\$815,610	\$95,439	\$6,241,395
Intergovernmental	6,723,141	119,751	801,702	7,644,594
Interest	39,398	0	4,525	43,923
Tuition and Fees	1,421,009	0	0	1,421,009
Rent	9,110	0	0	9,110
Extracurricular Activities	169,064	0	166,427	335,491
Gifts and Donations	10,324	0	3,325	13,649
Customer Sales and Services	57,671	0	262,597	320,268
Miscellaneous	3,672	0	10,868	14,540
Total Revenues	<u>13,763,735</u>	<u>935,361</u>	<u>1,344,883</u>	<u>16,043,979</u>
Expenditures				
Current:				
Instruction:				
Regular	5,598,117	0	24,636	5,622,753
Special	1,646,845	0	414,740	2,061,585
Vocational	101,920	0	0	101,920
Student Intervention Services	3,864	0	0	3,864
Support Services:				
Pupils	857,562	0	85,519	943,081
Instructional Staff	409,453	0	21,604	431,057
Board of Education	17,495	0	0	17,495
Administration	947,544	0	11,032	958,576
Fiscal	375,448	16,179	0	391,627
Business	43,053	0	0	43,053
Operation and Maintenance of Plant	1,062,675	0	90,643	1,153,318
Pupil Transportation	756,885	0	0	756,885
Central	68,296	0	0	68,296
Operation of Non-Instructional Services	51,045	0	499,023	550,068
Extracurricular Activities	587,825	0	190,485	778,310
Capital Outlay	0	0	11,448	11,448
Debt Service:				
Principal	57,522	615,000	0	672,522
Interest and Fiscal Charges	11,536	289,750	0	301,286
Total Expenditures	<u>12,597,085</u>	<u>920,929</u>	<u>1,349,130</u>	<u>14,867,144</u>
Net Change in Fund Balances	1,166,650	14,432	(4,247)	1,176,835
Fund Balances Beginning of Year	<u>3,643,732</u>	<u>854,290</u>	<u>724,542</u>	<u>5,222,564</u>
Fund Balances End of Year	<u>\$4,810,382</u>	<u>\$868,722</u>	<u>\$720,295</u>	<u>\$6,399,399</u>

See accompanying notes to the basic financial statements

Tuslaw 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 \$1,176,835

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlay as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which depreciation
exceeded capital outlay in the current period:

Capital Outlay	110,011	
Depreciation	(755,202)	
<i>Total</i>		(645,191)

Governmental funds only report the disposal of capital assets to the extent proceeds are received
from the sale. In the statement of activities, a gain or loss is reported for each disposal. (6,216)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	(17,069)	
Intergovernmental	56,803	
Tuition and Fees	4,540	
<i>Total</i>		44,274

Repayment of bond principal and interest accretion is an expenditure in the governmental funds,
but the repayment and accretion reduces long-term liabilities in the statement of net position. 672,522

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:

Bond Accretion	(116,479)	
Amortization of Premium	57,796	
Amortization of Deferred Charge on Refunding	(38,711)	
Accrued Interest	1,149	
<i>Total</i>		(96,245)

Some expenses reported in the statement of activities, such as compensated absences,
do not require the use of current financial resources and therefore are not reported
as expenditures in the governmental funds.

Compensated Absences		(84,206)
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Contractually required contributions are reported as expenditures in governmental
funds; however, the statement of net position reports these amounts as deferred
outflows. 979,175

Except for amounts reported as deferred inflows/outflows, changes in the net pension
liability are reported as pension expense in the statement of activities. (1,583,374)

Changes in Net Position of Governmental Activities \$457,574

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive</i>
				<i>(Negative)</i>
Revenues				
Property Taxes	\$4,257,393	\$4,257,393	\$5,268,173	\$1,010,780
Intergovernmental	6,651,688	6,651,688	6,813,027	161,339
Interest	14,473	14,473	38,065	23,592
Tuition and Fees	1,092,663	1,092,663	1,358,947	266,284
Rent	7,898	7,898	9,110	1,212
Gifts and Donations	650	650	0	(650)
Miscellaneous	11,662	11,662	3,672	(7,990)
Total Revenues	12,036,427	12,036,427	13,490,994	1,454,567
Expenditures				
Current:				
Instruction:				
Regular	5,632,334	5,661,787	5,502,805	158,982
Special	1,750,382	1,800,672	1,852,329	(51,657)
Vocational	101,759	101,759	101,772	(13)
Student Intervention Services	3,001	3,001	3,864	(863)
Support Services:				
Pupils	781,899	861,492	885,904	(24,412)
Instructional Staff	387,919	394,869	394,896	(27)
Board of Education	15,987	15,987	16,620	(633)
Administration	894,289	896,359	946,831	(50,472)
Fiscal	376,420	384,876	402,041	(17,165)
Business	39,749	39,749	42,966	(3,217)
Operation and Maintenance of Plant	1,084,668	1,134,100	1,090,767	43,333
Pupil Transportation	703,795	707,551	738,875	(31,324)
Central	76,483	76,483	68,296	8,187
Extracurricular Activities	456,808	456,808	479,426	(22,618)
Debt Service:				
Principal	57,522	57,522	57,522	0
Interest and Fiscal Charges	11,536	11,536	11,536	0
Total Expenditures	12,374,551	12,604,551	12,596,450	8,101
Net Change in Fund Balance	(338,124)	(568,124)	894,544	1,462,668
Fund Balance Beginning of Year	4,441,232	4,441,232	4,441,232	0
Prior Year Encumbrances Appropriated	262,180	262,180	262,180	0
Fund Balance End of Year	\$4,365,288	\$4,135,288	\$5,597,956	\$1,462,668

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<i>Private Purpose</i>	
	<u><i>Trust</i></u>	<u><i>Agency</i></u>
<i>Assets</i>		
Equity in Pooled Cash and Cash Equivalents	\$41,390	\$62,936
<i>Total Assets</i>	<u>41,390</u>	<u><u>62,936</u></u>
<i>Liabilities</i>		
Current Liabilities:		
Undistributed Monies	\$0	\$409
Due to Students	0	62,527
<i>Total Liabilities</i>	<u>0</u>	<u><u>62,936</u></u>
<i>Net Position</i>		
Held in Trust for Scholarships	<u><u>\$41,390</u></u>	

See accompanying notes to the basic financial statements

Tuslaw Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	<i>Private Purpose Trust</i>
<i>Additions</i>	
Gifts and Contributions	\$23,758
Interest	146
<i>Total Additions</i>	23,904
 <i>Deductions</i>	
Payments in Accordance with Trust Agreements	10,950
<i>Increase in Net Position</i>	12,954
 <i>Net Position Beginning of Year</i>	 28,436
 <i>Net Position End of Year</i>	 \$41,390

See accompanying notes to the basic financial statements

Tuslaw Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 – Description of the School District and Reporting Entity

Tuslaw 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/or Federal guidelines.

The School District serves an area of approximately forty-four square miles. It is located in Stark and Wayne Counties and includes portions of Lawrence, Tuscarawas, and Perry Townships, and the City of Massillon. It is staffed by 67 classified employees, 85 certified teaching personnel, and 11 administrative employees who provide services to 1,378 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Tuslaw 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 and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. There are no component units of the Tuslaw Local School District.

The School District is associated with organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Stark Portage Area Computer Consortium, Stark County Area Joint Vocational School, Stark County Schools Council of Government and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish those activities of the School District 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 therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

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 various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund The general fund is the general operating fund of the School District and is used to account and report for all financial resources except those required to be accounted for or 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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (continued)

Bond Retirement Fund The bond retirement fund is used to account for the accumulation of property tax revenues restricted for the payment of general obligation bonds issued for the construction of a new high school and renovations to the middle school.

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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. The School District has two private purpose trust funds which are used to account for college scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds reflect resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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

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

D. Basis of Accounting

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

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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. “Available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 19. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (continued)

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

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

E. 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, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given authority to allocate Board appropriations to the function and object levels within each fund.

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

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during fiscal year 2017.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District 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, the School District invested in STAR Ohio. 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 School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents (continued)

For the fiscal year 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.

As authorized by State 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 \$39,398, which includes \$5,324 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of donated and purchased food.

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. 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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets (continued)

All reported capital assets, other than 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Fixtures	7 - 20 years
Vehicles	8 - 15 years

J. 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 sick leave and vacation leave benefits when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave benefits is made to the extent that it is probable that benefits will result in termination payments. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

K. 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, compensated absences, and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Net Position

Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Fund Balance

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

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

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

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 School District Board of Education or by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Education also assigned fund balance for other purposes.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Interfund Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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.

O. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

R. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for 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 increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Pensions

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

Note 3 – Changes in Accounting Principles

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there were no material abatements.

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles are that:

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Budgetary revenues and expenditures of the latchkey and public school support funds are reclassified to the general fund for GAAP reporting.
4. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 4 – Budgetary Basis of Accounting (Continued)

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

	<i>General</i>
	\$1,166,650
<i>GAAP Basis</i>	
Net Adjustment for Revenue Accruals	(509,800)
Net Adjustment for Expenditure Accruals	568,851
Perspective Differences:	
Latchkey	7,621
Public School Support	9,394
Adjustment for Encumbrances	(348,172)
<i>Budget Basis</i>	\$894,544

Note 5 – 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 as follows:

Fund Balances	General Fund	Bond Retirement Fund	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Prepaid Items	\$21,095	\$0	\$583	\$21,678
<i>Restricted for:</i>				
Food Service	0	0	286,276	286,276
Student Activities	0	0	51,134	51,134
Debt Service	0	868,722	0	868,722
Classroom Facilities	0	0	420,787	420,787
Other Purposes	0	0	3,815	3,815
<i>Total Restricted</i>	0	868,722	762,012	1,630,734
<i>Assigned to:</i>				
Purchases on Order	313,882	0	0	313,882
Other Purposes	72,344	0	0	72,344
<i>Total Assigned</i>	386,226	0	0	386,226
<i>Unassigned (Deficit)</i>	4,403,061	0	(42,300)	4,360,761
<i>Total Fund Balances</i>	\$4,810,382	\$868,722	\$720,295	\$6,399,399

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed previously;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 6 – Deposits and Investments (Continued)

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$275,397 of the School District's bank balance of \$6,667,660 was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at one hundred and two percent or a rate set by the Treasurer of State. Financial institutions opting not to participate in OPCS will collateralize utilizing the specific pledge method at one hundred and five percent.

Investments As of June 30, 2017, the School District's only investment was STAR Ohio, which is measured at net asset value per share.

Credit Risk 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. The School District has no investment policy that addresses credit risk.

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 law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in calendar year 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark and Wayne Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties 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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 7 – Property Taxes (Continued)

Accrued property taxes receivable includes delinquent taxes outstanding and 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 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2017, was \$176,367 in the general fund and \$28,382 in the debt service fund. The amount available as an advance at June 30, 2016, was \$114,194 in the general fund and \$19,276 in the debt service fund. The difference was in timing and collection by the County Auditors. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

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

	<i>2017 First Half Collections</i>		<i>2016 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$180,507,880	90.9%	\$176,834,230	92.6%
Public Utility Personal	18,166,200	9.1	14,044,250	7.4
	\$198,674,080	100.00%	\$190,878,480	100.00%
Tax Rate per \$1,000 of assessed valuation	\$64.70		\$66.90	

During fiscal year 2017, property tax values increased in the School District. This caused the tax rate to decrease so that the emergency and bond levies would meet their collection amounts.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 8 – Receivables

Receivables at June 30, 2017, consisted primarily of property taxes, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables other than delinquent taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<i>Governmental Activities</i>	<i>Amounts</i>
Title VI-B	\$98,774
Foundation	74,955
Title I	43,253
Title II-A	28,661
Bureau of Workers' Compensation	21,443
<i>Total Intergovernmental Receivables</i>	<i>\$267,086</i>

Note 9 – Capital Assets

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

	<i>Balance 6/30/16</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance 6/30/17</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$725,598	\$0	\$0	\$725,598
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	31,245,687	16,769	0	31,262,456
Furniture and Fixtures	1,848,821	9,353	(12,354)	1,845,820
Vehicles	1,377,603	83,889	(14,711)	1,446,781
<i>Total Capital Assets, being depreciated</i>	<i>34,472,111</i>	<i>110,011</i>	<i>(27,065)</i>	<i>34,555,057</i>
Buildings and Improvements	(8,356,804)	(604,397)	0	(8,961,201)
Furniture and Fixtures	(1,198,307)	(90,532)	6,138	(1,282,701)
Vehicles	(937,423)	(60,273)	14,711	(982,985)
<i>Total Accumulated Depreciation</i>	<i>(10,492,534)</i>	<i>(755,202)*</i>	<i>20,849</i>	<i>(11,226,887)</i>
<i>Total Capital Assets, being depreciated, Net</i>	<i>23,979,577</i>	<i>(645,191)</i>	<i>(6,216)</i>	<i>23,328,170</i>
<i>Governmental Activities Capital Assets, Net</i>	<i>\$24,705,175</i>	<i>(\$645,191)</i>	<i>(\$6,216)</i>	<i>\$24,053,768</i>

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 9 – Capital Assets (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$500,599
Special	5,211
Vocational	1,837
Support Services:	
Pupils	673
Instructional Staff	2,075
Administration	1,069
Operation and Maintenance of Plant	42,231
Pupil Transportation	136,572
Extracurricular Activities	19,146
Operation of Non-instructional Services	45,789
	<hr/>
<i>Total Depreciation Expense</i>	<u><u>\$755,202</u></u>

Note 10 – Risk Management

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 Leonard Insurance Services for property and fleet coverage and Hylant Administrative Services, LLC through the Ohio School Plan for liability coverage. There has not been a significant reduction in coverage from the prior year and settled claims have not exceeded this commercial coverage in any of the past three years. Coverage type, limits and deductibles are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Buildings and Contents	\$49,166,583	\$5,000
Inland Marine Coverage	Various	500
Automobile Liability	1,000,000	0
Uninsured Motorists	100,000	0
Medical Payments	5,000	0
Crime – Employee Dishonesty	50,000	1,000
General Liability:		
Per Occurrence	4,000,000	2,500
Aggregate	6,000,000	0
Umbrella	3,000,000	0

The School District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Incorporated (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The School District has chosen to participate in the group rating program for fiscal year 2017. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 10 – Risk Management (Continued)

The School District has contracted with the Stark County Schools Council of Government's Health Benefits Program to provide employee medical/surgical, vision, and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The School District pays premiums of \$1,835.81 for family coverage and \$754.04 for single coverage per employee per month.

Note 11 – Employee Benefits

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and principals do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is a limit of 345 days of sick leave that may be accumulated for certified employees and classified employees. Upon retirement employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 73 days.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government's Health Benefits Program.

Note 12 – Defined Benefit Pension Plans

Net Pension Liability

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

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

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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

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

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

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.

Age and service requirements for retirement are as follows:

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

One year after an effective benefit date, a benefit recipient is entitled to a 3 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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

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 allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$241,233 for fiscal year 2017. Of this amount \$25,912 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 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 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 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be 5 years of service credit and age 65, or 35 years of service credit and at least age 60.

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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$737,942 for fiscal year 2017. Of this amount \$99,470 is reported as an intergovernmental payable.

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

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05469790%	0.05064576%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05302170%</u>	<u>0.05021133%</u>	
Change in Proportionate Share	<u>-0.00167620%</u>	<u>-0.00043443%</u>	
Proportionate Share of the Net Pension Liability	\$3,880,699	\$16,807,246	\$20,687,945
Pension Expense	\$366,279	\$1,217,095	\$1,583,374

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$52,342	\$679,093	\$731,435
Changes of assumptions	259,058	0	259,058
Net difference between projected and actual earnings on pension plan investments	320,101	1,395,453	1,715,554
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	0	1,609	1,609
School District contributions subsequent to the measurement date	<u>241,233</u>	<u>737,942</u>	<u>979,175</u>
Total Deferred Outflows of Resources	<u><u>\$872,734</u></u>	<u><u>\$2,814,097</u></u>	<u><u>\$3,686,831</u></u>
Deferred Inflows of Resources			
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u><u>\$95,124</u></u>	<u><u>\$110,081</u></u>	<u><u>\$205,205</u></u>

\$979,175 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$120,686	\$301,479	\$422,165
2019	120,456	301,479	421,935
2020	203,219	836,955	1,040,174
2021	<u>92,016</u>	<u>526,161</u>	<u>618,177</u>
Total	<u><u>\$536,377</u></u>	<u><u>\$1,966,074</u></u>	<u><u>\$2,502,451</u></u>

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.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will 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, compared with June 30, 2015, are presented as follows:

Method	June 30, 2016	June 30, 2015
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that 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. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined by 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 average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced 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:

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 earnings 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 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 (6.50 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	\$5,137,804	\$3,880,699	\$2,828,450

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – 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
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
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 commences 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 no 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.

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	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	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 12 – Defined Benefit Pension Plans (Continued)

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 of future plan members, are excluded. 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.

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	\$22,335,464	\$16,807,246	\$12,143,868

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 the School District’s net pension liability is expected to be significant.

Note 13 – Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 13 – Postemployment Benefits (Continued)

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. 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 School District's surcharge obligation was \$27,709.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$27,709, \$26,273, and \$41,192, respectively. For fiscal year 2017, none has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered 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 partial 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 to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to post-employment health care.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 14 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, 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.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. The final adjustment was not material and is not reflected in the accompanying financial statements.

Litigation

No litigation is pending at this time for the School District.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts Due</i>
	<i>6/30/16</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/17</i>	<i>in One Year</i>
<i>Compensated Absences</i>	<u>\$858,157</u>	<u>\$163,977</u>	<u>(\$79,771)</u>	<u>\$942,363</u>	<u>\$61,463</u>
<i>HB 264 Qualified School Construction Bonds:</i>					
\$878,000 6.15% Energy Conservation Bonds	<u>563,637</u>	<u>0</u>	<u>(57,522)</u>	<u>506,115</u>	<u>58,736</u>
<i>2011 OSFC High School Bonds (#1 Refunding):</i>					
\$9,235,000, 3.2% Serial Bonds	8,880,000	0	(95,000)	8,785,000	95,000
\$169,960, 21.15% Capital Appreciation Bonds	169,960	0	0	169,960	0
Accretion on Capital Appreciation Bonds	257,436	94,919	0	352,355	0
Premium	448,458	0	(30,928)	417,530	0
<i>Total 2011 OSFC Bonds</i>	<u>9,755,854</u>	<u>94,919</u>	<u>(125,928)</u>	<u>9,724,845</u>	<u>95,000</u>
<i>2012 OSFC High School Bonds (#2 Refunding):</i>					
\$2,505,000, 1.49% Serial Bonds	980,000	0	(520,000)	460,000	460,000
\$44,158, 19.7% Capital Appreciation Bonds	44,158	0	0	44,158	22,709
Accretion on Capital Appreciation Bonds	60,400	21,560	0	81,960	47,291
Premium	40,304	0	(26,868)	13,436	0
<i>Total 2012 OSFC Bonds</i>	<u>1,124,862</u>	<u>21,560</u>	<u>(546,868)</u>	<u>599,554</u>	<u>530,000</u>
<i>Net Pension Liability:</i>					
SERS	3,121,116	759,583	0	3,880,699	0
STRS	13,997,007	2,810,239	0	16,807,246	0
<i>Total Net Pension Liability</i>	<u>17,118,123</u>	<u>3,569,822</u>	<u>0</u>	<u>20,687,945</u>	<u>0</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$29,420,633</u>	<u>\$3,850,278</u>	<u>(\$810,089)</u>	<u>\$32,460,822</u>	<u>\$745,199</u>

Compensated absences payments are paid from the general fund and food service, title VI-B, and title I special revenue funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the general fund and food service, athletics and music, title VI-B, title I, and title II-A special revenue funds. For additional information related to the net pension liability see Note 12.

During fiscal year 2010, \$878,000 in energy conservation bonds were issued for the purpose of purchasing and installing energy conservation measures throughout the School District. This debt will be fully repaid in fiscal year 2025.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – Long-Term Obligations (Continued)

On November 17, 2011, the School District issued \$9,404,960 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$9,235,000 and \$169,960, respectively. The bonds were issued for a nineteen year period with a final maturity at December 1, 2030. The final maturity amount of outstanding capital appreciation bonds at June 30, 2017, is \$895,000. The accretion recorded for 2017 was \$94,919, for a total outstanding bond liability of \$522,315.

The bonds were sold at a premium of \$590,211. Net proceeds of \$9,836,375 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District’s financial statements. On June 30, 2017, \$9,405,000 of the defeased bonds are still outstanding.

On December 14, 2011, the School District issued \$2,549,158 in general obligation bonds to refund a portion of the Ohio School Facilities Commission general obligation bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$2,505,000 and \$44,158, respectively. The bonds were issued for a seven year period with a final maturity at December 1, 2018. The final maturity amount of outstanding capital appreciation bonds at June 30, 2017, is \$150,000. The accretion recorded for 2017 was \$21,560, for a total outstanding bond liability of \$126,118.

The bonds were sold at a premium of \$161,210. Net proceeds of \$2,646,646 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District’s financial statements. On June 30, 2017, \$625,000 of the defeased bonds are still outstanding.

The School District’s overall debt margin is \$7,992,769 and the unvoted debt margin is \$199,533. The following is a summary of the School District’s future annual principal and interest requirements to retire the general obligation bonds:

<i>Fiscal Year</i>	2011 and 2012 OSFC Bonds				
	<i>Ending June 30,</i>	<i>Serial Bonds</i>		<i>Capital Appreciation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
2018	\$555,000	\$278,050	\$22,709	\$47,291	
2019	550,000	267,000	21,449	58,551	
2020	0	261,500	127,317	507,683	
2021	375,000	256,813	42,643	217,357	
2022	675,000	242,843	0	0	
2023-2027	3,690,000	893,980	0	0	
2028-2031	3,400,000	243,252	0	0	
<i>Total</i>	<u>\$9,245,000</u>	<u>\$2,443,438</u>	<u>\$214,118</u>	<u>\$830,882</u>	

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 15 – Long-Term Obligations (Continued)

2011 Energy Conservation Bonds

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>
<u><i>Ending June 30,</i></u>	<u></u>	<u></u>
2018	\$58,736	\$10,322
2019	59,976	9,082
2020	61,243	7,816
2021	62,535	6,523
2022	63,855	5,203
2023-2025	199,770	7,404
<i>Total</i>	<u>\$506,115</u>	<u>\$46,350</u>

Note 16 – Jointly Governed Organizations

A. Stark Portage Area Computer Consortium

Stark-Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 School Districts. The jointly governed 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 districts. Each of the governments of these schools supports SPARCC based on a per pupil charge. SPARCC is governed by a board consisting of superintendents from all participating school districts. This board has the responsibility to study, review and approve SPARCC's annual budget and ascertain that costs are divided equally among participating school districts. During fiscal year 2017, the School District paid \$81,976 to SPARCC for services rendered.

B. Stark County Area Joint Vocational School

The Stark County Area Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a seven member Board, consisting of one representative from each of the six participating school district's elected boards and one board member that rotates from each participating school district. The Stark County Area Joint Vocational School possesses its own budgeting and taxing authority. The Stark County Area Joint Vocational School provides vocational instruction to students of participating districts. To obtain financial information write to the Stark County Area Joint Vocational School, 2800 Richville Drive, S.E., Massillon, Ohio 44646.

Note 17 – Public Entity Risk Pools

A. Stark County Schools Council of Government

The Stark County Schools Council of Government (Council) is a shared risk pool which is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool.

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 17 – Public Entity Risk Pools (Continued)

B. Ohio School Plan

The Ohio School Plan (Plan) is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. OSBA, BASA and OASBO executive directors serve as ex-officio members. Approximately 270 educational entities are members of the Plan. The Plan’s board elects officers for two year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information write to the Ohio School Plan, Hylant Administrative Services, 811 Madison Avenue, Toledo, Ohio 43604.

Note 18 – Set-Asides

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.

The following cash basis information describes the set aside amount for capital acquisition. Disclosure of this information is required by State statute.

	<i>Capital Acquisition</i>
<i>Set-Aside Reserve Balance as of June 30, 2016</i>	\$0
Current Year Set-Aside Requirement	262,705
Current Year Offsets	(615,000)
Qualifying Disbursements	(184,072)
<i>Total</i>	(\$536,367)
<i>Set-Aside Balance Carried Forward to Future Years</i>	\$0
<i>Set-Aside Reserve Balance as of June 30, 2017</i>	\$0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisition set-aside amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

Note 19 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$348,172
Other Governmental Funds	66,565
Total	\$414,737

Tuslaw Local School District
Notes to the Basic Financial Statements (continued)
For the Fiscal Year Ended June 30, 2017

Note 20 – Interfund Balances

Interfund balances at June 30, 2017, consisted of the following:

	Interfund Balances	
	June 30, 2017	
	Receivables	Payables
<i>Governmental Activities:</i>		
General	\$20,448	\$0
<i>Special Revenue:</i>		
Title VI-B	0	8,529
Title I	0	897
Class Size Reduction Grant	0	11,022
<i>Total Special Revenue</i>	0	20,448
<i>Total Governmental Activities</i>	\$20,448	\$20,448

The interfund payables from the funds are for grant funding that was not received by fiscal year end.

Note 21 – Deficit Fund Balances

Fund balances at June 30, 2017, included the following individual fund deficits:

	Nonmajor
	Funds
	Deficit
Title VI-B	\$20,825
Title I	21,185

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

Note 22 – Subsequent Event

On November 7, 2017, voters approved the renewal of a 7.5 mill, continuous limited property tax levy to provide for the operations of the School District. This levy generates approximately \$829,190 annually for the School District.

Required Supplementary Information

Tuslaw 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 Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05302170%	0.05469790%	0.05554700%	0.05554700%
School District's Proportionate Share of the Net Pension Liability	\$3,880,699	\$3,121,116	\$2,811,202	\$3,303,202
School District's Covered Payroll	\$1,645,593	\$1,684,671	\$1,590,420	\$1,599,519
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	235.82%	185.27%	176.76%	206.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

Tuslaw 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 Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05021133%	0.05064576%	0.05060181%	0.05060181%
School District's Proportionate Share of the Net Pension Liability	\$16,807,246	\$13,997,007	\$12,308,111	\$14,661,342
School District's Covered Payroll	\$5,281,043	\$5,287,600	\$5,207,914	\$5,344,962
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	318.26%	264.71%	236.33%	274.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to fiscal year 2014 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year end.

Tuslaw Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$241,233	\$230,383	\$222,040	\$220,432
Contributions in Relation to the Contractually Required Contribution	<u>(241,233)</u>	<u>(230,383)</u>	<u>(222,040)</u>	<u>(220,432)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$1,723,093	\$1,645,593	\$1,684,671	\$1,590,420
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$221,373	\$228,734	\$199,631	\$223,524	\$158,123	\$171,410
(221,373)	(228,734)	(199,631)	(223,524)	(158,123)	(171,410)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,599,519	\$1,700,622	\$1,588,154	\$1,650,845	\$1,606,942	\$1,745,524
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Tuslaw Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$737,942	\$739,346	\$740,264	\$677,029
Contributions in Relation to the Contractually Required Contribution	<u>(737,942)</u>	<u>(739,346)</u>	<u>(740,264)</u>	<u>(677,029)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$5,271,014	\$5,281,043	\$5,287,600	\$5,207,914
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$694,845	\$712,751	\$660,715	\$673,713	\$653,744	\$625,664
(694,845)	(712,751)	(660,715)	(673,713)	(653,744)	(625,664)
\$0	\$0	\$0	\$0	\$0	\$0
\$5,344,962	\$5,482,700	\$5,082,423	\$5,182,408	\$5,028,800	\$4,812,800
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Tuslaw Local School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions – SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

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

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

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Pass through Entity Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	006-0000	\$44,569
Cash Assistance:			
National School Breakfast Program	10.553	006-0000	31,673
National School Lunch Program	10.555	006-0000	218,310
			<hr/>
Total U.S. Department of Agriculture/Child Nutrition Cluster			294,552
			<hr/>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education Grants to States (IDEA, Part B)	84.027	516-9916	44,072
		516-9917	238,919
Total Special Education Cluster			<hr/> 282,991
Title I Grants to Local Educational Agencies	84.010	572-9916	34,961
		572-9917	187,868
Total Title I Grants to Local Educational Agencies			<hr/> 222,829
Improving Teacher Quality	84.367	590-9916	12,279
		590-9917	30,074
Total Improving Teacher Quality			<hr/> 42,353
			<hr/>
Total U.S. Department of Education			548,173
			<hr/>
Total			\$842,725
			<hr/> <hr/>

The accompanying notes are an integral part of this schedule.

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Tuslaw Local School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

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 Tuslaw Local School District, Stark County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

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

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

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.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018



Dave Yost • Auditor of State

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

Tuslaw Local School District
Stark County
1835 Manchester Avenue NW
Massillon, Ohio 44647

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Tuslaw Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Tuslaw Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Tuslaw Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018

**TUSLAW LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
June 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education, IDEA-B, CFDA #84.027 and Title I, CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

TUSLAW LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2018