



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2018-2017

**OHIO AUDITOR OF STATE
KEITH FABER**



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis – June 30, 2018	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – June 30, 2018	15
Statement of Activities For the Fiscal Year Ended June 30, 2018.....	16
Fund Financial Statements:	
Balance Sheet Governmental Funds – June 30, 2018	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2018	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2018.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2018.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Fiscal Year Ended June 30, 2018.....	21
Statement of Fiduciary Net Position Fiduciary Funds – June 30, 2018	22
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2018.....	23

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2018 AND 2017**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information June 30, 2018:	
Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System (SERS) of Ohio	68
Schedule of the District's Proportionate Share of the Net Pension Liability State Teachers Retirement System (STRS) of Ohio	69
Schedule of District Pension Contributions School Employees Retirement System (SERS) of Ohio.....	70
Schedule of District Pension Contributions State Teachers Retirement System (STRS) of Ohio	72
Schedule of the District's Proportionate Share of the Net OPEB Liability School Employees Retirement System (SERS) of Ohio.....	74
Schedule of the District's Proportionate Share of the Net OPEB Liability State Teachers Retirement System (STRS) of Ohio	75
Schedule of District OPEB Contributions School Employees Retirement System (SERS) of Ohio.....	76
Schedule of District OPEB Contributions State Teachers Retirement System (STRS) of Ohio	78
Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2018.....	80
Management's Discussion and Analysis June 30, 2017	82
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position June 30, 2017	94
Statement of Activities For the Fiscal Year Ended June 30, 2017	95
Fund Financial Statements:	
Balance Sheet Governmental Funds June 30, 2017.....	96

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2018 AND 2017**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2017	97
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2017	98
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	99
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Fiscal Year Ended June 30, 2017	100
Statement of Fiduciary Net Position Fiduciary Funds June 30, 2017	101
Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2017	102
Required Supplementary Information June 30, 2017:	
Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System (SERS) of Ohio	142
Schedule of the District's Proportionate Share of the Net Pension Liability State Teachers Retirement System (STRS) of Ohio	143
Schedule of District Contributions School Employees Retirement System (SERS) of Ohio	144
Schedule of District Contributions State Teachers Retirement System (STRS) of Ohio	146
Notes to Required Supplementary Information For the Fiscal Year Ended June 30, 2017	148
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	149

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Dalton Local School District
Wayne County
177 North Mill Street
Dalton, Ohio 44618

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dalton Local School District, Wayne County, Ohio (the District), as of and for the years ended June 30, 2018 and 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 such 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.

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

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 Dalton Local School District, Wayne County, Ohio, as of June 30, 2018 and 2017, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



Keith Faber
Auditor of State

Columbus, Ohio

January 30, 2019

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$4,417,257, which represents a 102.02% increase from 2017's restated net position.
- General revenues accounted for \$9,407,599 in revenue or 80.70% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,250,022 or 19.30% of total revenues of \$11,657,163.
- The District had \$7,240,364 in expenses related to governmental activities; \$2,250,022 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,407,599 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$9,176,108 in revenues and \$8,818,263 in expenditures. During fiscal year 2018, the general fund's fund balance increased \$357,845 from a balance of \$1,810,369 to a balance of \$2,168,214.
- The bond retirement fund had \$972,010 in revenues. The bond retirement fund also had \$1,050,275 in expenditures. During fiscal year 2018, the bond retirement fund's fund balance decreased \$78,265 from a balance of \$956,564 to a balance of \$878,299.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are considered major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of net position on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-66 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 68 through 81 of this report.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities 2018	Restated Governmental Activities 2017
<u>Assets</u>		
Current and other assets	\$ 9,237,469	\$ 9,285,987
Capital assets, net	<u>22,531,242</u>	<u>23,126,147</u>
Total assets	<u>31,768,711</u>	<u>32,412,134</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on refunding	1,295,604	1,370,760
Pension	3,268,136	2,881,544
OPEB	<u>108,998</u>	<u>19,536</u>
Total deferred outflows of resources	<u>4,672,738</u>	<u>4,271,840</u>
<u>Liabilities</u>		
Current liabilities	1,298,255	1,245,387
Long-term liabilities:		
Due within one year	492,723	587,326
Due in more than one year:		
Net pension liability	10,917,448	15,534,758
Net OPEB liability	2,449,403	3,172,723
Other amounts	<u>16,179,847</u>	<u>16,701,507</u>
Total liabilities	<u>31,337,676</u>	<u>37,241,701</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	3,839,785	3,713,272
Pension	791,601	58,942
OPEB	<u>385,071</u>	<u>-</u>
Total deferred inflows of resources	<u>5,016,457</u>	<u>3,772,214</u>
<u>Net Position</u>		
Net investment in capital assets	8,078,782	8,079,907
Restricted	1,826,762	2,146,177
Unrestricted (deficit)	<u>(9,818,228)</u>	<u>(14,556,025)</u>
Total net position (deficit)	<u>\$ 87,316</u>	<u>\$ (4,329,941)</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

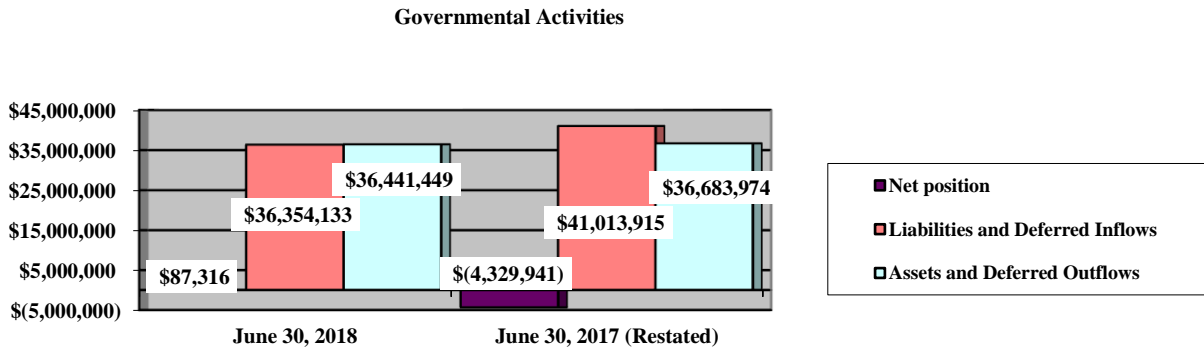
As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from a deficit of \$1,176,754 to a deficit of \$4,329,941.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$87,316. Of this total, \$1,826,762 is restricted in use.

At year-end, capital assets represented 70.92% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's investment in capital assets at June 30, 2018, was \$8,078,782. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,826,762, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$9,818,228.

The graph below presents the District's governmental assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2018 and June 30, 2017. The amounts at June 30, 2017 have been restated as described in Note 3.A.



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The table below shows the changes in net position for governmental activities for fiscal years 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,069,504	\$ 937,502
Operating grants and contributions	1,180,518	1,210,603
General revenues:		
Property taxes	4,462,593	4,054,085
School district income tax	1,329,782	1,391,687
Grants and entitlements	3,492,252	3,591,493
Investment earnings	64,658	24,063
Other	<u>58,314</u>	<u>235,398</u>
Total revenues	<u>11,657,621</u>	<u>11,444,831</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	1,882,873	4,277,547
Special	652,032	1,067,902
Vocational	19,016	82,171
Other	420,121	457,039
Support services:		
Pupil	287,506	464,196
Instructional staff	150,204	677,341
Board of education	5,208	8,151
Administration	382,653	830,527
Fiscal	284,167	311,452
Operations and maintenance	1,819,199	1,467,107
Pupil transportation	230,881	420,531
Central	8,780	16,871
Food service operations	175,491	260,070
Other non-instructional services	195,888	207,372
Extracurricular activities	193,561	414,818
Interest and fiscal charges	<u>532,784</u>	<u>699,217</u>
Total expenses	<u>7,240,364</u>	<u>11,662,312</u>
Change in net position	4,417,257	(217,481)
Net position (deficit) at beginning of year (restated)	<u>(4,329,941)</u>	<u>N/A</u>
Net position (deficit) at end of year	<u>\$ 87,316</u>	<u>\$ (4,329,941)</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$19,536 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$400,619. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 7,240,364
Negative OPEB expense under GASB 75	400,619
2018 contractually required contributions	<u>27,092</u>
Adjusted 2018 program expenses	7,668,075
Total 2017 program expenses under GASB 45	<u>11,662,312</u>
Decrease in program expenses not related to OPEB	<u>\$ (3,994,237)</u>

Governmental Activities

Net position of the District's governmental activities increased \$4,417,257. Total governmental expenses of \$7,240,364 were offset by program revenues of \$2,250,022 and general revenues of \$9,407,599. Program revenues supported 31.08% of the total governmental expenses.

Expenses of the governmental activities decreased \$4,421,948 or 37.92%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$3,521,020) in pension expense and (\$400,619) in OPEB expense mainly due to these benefit changes.

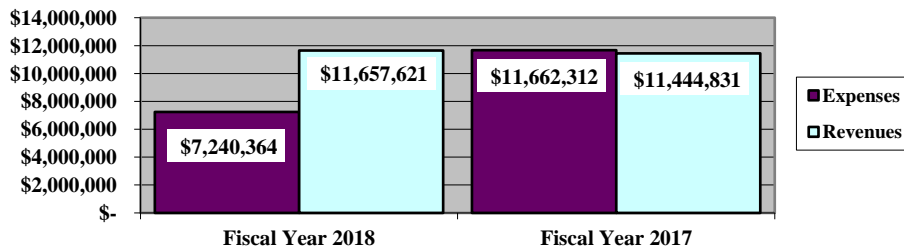
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 79.64% of total governmental revenues.

The largest expense of the District is for support services. Support services expenses totaled \$3,168,598 or 43.76% of total governmental expenses for fiscal year 2018.

The property tax revenue of the District increased during fiscal year 2018. The District receives collections resulting from the passing of a .5 mill continuous permanent improvement levy in May of 2011.

The graph on the following page presents the District's governmental activities revenues and expenses for fiscal years 2018 and 2017.

Governmental Activities - Revenues and Expenses



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

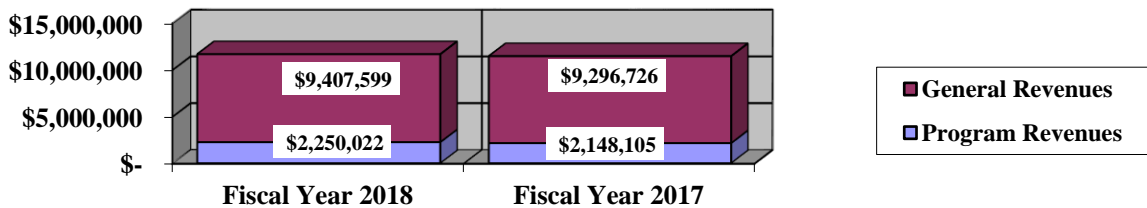
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the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

Governmental Activities				
	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Program expenses				
Instruction:				
Regular	\$ 1,882,873	\$ 1,091,305	\$ 4,277,547	\$ 3,666,143
Special	652,032	5,689	1,067,902	447,709
Vocational	19,016	16,622	82,171	79,777
Other	420,121	420,121	457,039	457,039
Support services:				
Pupil	287,506	172,749	464,196	331,352
Instructional staff	150,204	148,333	677,341	586,390
Board of education	5,208	5,208	8,151	8,151
Administration	382,653	370,960	830,527	790,038
Fiscal	284,167	284,167	311,452	311,452
Operations and maintenance	1,819,199	1,817,407	1,467,107	1,465,349
Pupil transportation	230,881	200,932	420,531	400,475
Central	8,780	8,780	16,871	16,871
Operations of non-instructional services:				
Food service operations	175,491	(102,006)	260,070	3,582
Other non-instructional services	195,888	(72,128)	207,372	(57,701)
Extracurricular activities	193,561	89,419	414,818	308,363
Interest and fiscal charges	<u>532,784</u>	<u>532,784</u>	<u>699,217</u>	<u>699,217</u>
Total expenses	<u>\$ 7,240,364</u>	<u>\$ 4,990,342</u>	<u>\$ 11,662,312</u>	<u>\$ 9,514,207</u>

The dependence upon taxes and other general revenues for governmental activities is apparent, 51.57% and 79.03% of instruction activities were supported through taxes and other general revenues for fiscal years 2018 and 2017, respectively. For all governmental activities, general revenue support is 68.92%.

The graph below presents the District's governmental activities revenue for fiscal years 2018 and 2017.

Governmental Activities - General and Program Revenues



**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund balance of \$4,164,613, which is lower than last year's balance of \$4,375,212. The schedule that follows indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance June 30, 2018	Fund Balance June 30, 2017	Change	Percentage Change
General	\$ 2,168,214	\$ 1,810,369	\$ 357,845	19.77 %
Bond retirement	878,299	956,564	(78,265)	(8.18) %
Other Governmental	<u>1,118,100</u>	<u>1,608,279</u>	<u>(490,179)</u>	(30.48) %
Total	<u>\$ 4,164,613</u>	<u>\$ 4,375,212</u>	<u>\$ (210,599)</u>	(4.81) %

General Fund

The District's general fund balance increased \$357,845. Revenues from taxes increased by \$336,623 in fiscal year 2018 due to an increase in property taxes collected during the fiscal year. Earnings on investments increased by \$35,525 due to the District's investments in STAR Ohio earning greater returns.

Expenditures increased \$485,273 or 5.82% from fiscal year 2017.

The table that follows assists in illustrating the financial activities of the general fund.

	2018 Amount	2017 Amount	Change	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,655,807	\$ 4,319,184	\$ 336,623	7.79 %
Tuition	693,948	571,357	122,591	21.46 %
Earnings on investments	54,205	18,680	35,525	190.18 %
Classroom materials and fees	1,868	2,845	(977)	(34.34) %
Intergovernmental	3,608,002	3,652,805	(44,803)	(1.23) %
Other revenues	<u>162,278</u>	<u>163,494</u>	<u>(1,216)</u>	(0.74) %
Total	<u>\$ 9,176,108</u>	<u>\$ 8,728,365</u>	<u>\$ 447,743</u>	5.13 %
<u>Expenditures</u>				
Instruction	\$ 5,406,488	\$ 4,910,931	\$ 495,557	10.09 %
Support services	3,124,709	3,155,782	(31,073)	(0.98) %
Operation of non-instructional services	7,855	-	7,855	100.00 %
Extracurricular activities	279,211	265,993	13,218	4.97 %
Facilities acquisition and construction	<u>-</u>	<u>284</u>	<u>(284)</u>	(100.00) %
Total	<u>\$ 8,818,263</u>	<u>\$ 8,332,990</u>	<u>\$ 485,273</u>	5.82 %

Bond Retirement Fund

The bond retirement fund had \$972,010 in revenues. Expenditures totaled \$1,050,275. During fiscal year 2018, the bond retirement fund's fund balance decreased \$78,265 from a balance of \$956,564 to \$878,299.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District had an original and final general fund budget. For the general fund, original budgeted revenues and other financing sources of \$8,662,900 were greater than final budgeted revenues and other financing sources of \$8,637,900. Actual revenues and other financing sources for fiscal year 2018 were \$9,006,201, which was \$368,301 higher than the final budget revenues and other financing sources.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$8,830,166. The actual budget basis expenditures for fiscal year 2018 totaled \$8,805,616, which was \$24,550 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$22,531,242 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This is a \$594,905 decrease over last year due to the District's depreciation expense exceeding capital outlays during fiscal year 2018.

The following table shows June 30, 2018 balances compared to June 30, 2017:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 753,364	\$ 753,364
Construction in progress	-	8,001
Land improvements	1,318,745	1,391,545
Building and improvements	19,725,195	20,230,974
Furniture and equipment	459,042	429,914
Vehicles	274,896	312,349
Total	\$ 22,531,242	\$ 23,126,147

See Note 9 to the basic financial statements for additional information on the District's capital assets.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Debt Administration

At June 30, 2018, the District had \$511,000 in energy conservation bonds outstanding and \$13,535,866 in school improvement bonds. Of this total, \$455,000 is due within one year and \$13,591,866 is due in more than one year. The following table summarizes the energy conservation bonds and school improvement bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Energy conservation bonds	\$ 511,000	\$ 560,000
School improvement bonds	<u>13,535,866</u>	<u>14,033,890</u>
Total	<u>\$ 14,046,866</u>	<u>\$ 14,593,890</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District relies heavily upon revenue from grants, property taxes and the state foundation program. In August of 2004, the voters of the District passed a .75% income tax levy to help meet the increasing costs of educating our students. The District continues to strive to maintain the highest standards of excellence in educating our students, while carefully making the most effective use out of each dollar received.

The District has worked hard to contain costs but is faced with ever-increasing mandates from the federal and state levels. Over the past few years, reduction in staffing and other cost containment measures have been taken. The District expects revenue and carryover cash balances to be sufficient to meet operating expenses through fiscal year 2019; however, there are still many challenges to overcome.

The community made a significant investment in the District with the overwhelming passage of a 6 mill bond levy to build a new Pre K-8 building. Even with the passage of this bond the District needs to address the high school. The 2 mill permanent improvement levy was renewed in August 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Sheryl Shaw Stewart, Treasurer, Dalton Local School District, P.O. Box 514, Dalton, Ohio 44618.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,271,604
Receivables:	
Property taxes	4,204,608
Income taxes.	582,610
Accrued interest	2,110
Intergovernmental	171,073
Inventory held for resale.	4,965
Loans receivable.	499
Capital assets:	
Nondepreciable capital assets.	753,364
Depreciable capital assets, net.	21,777,878
Capital assets, net	22,531,242
Total assets.	31,768,711
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,295,604
Pension	3,268,136
OPEB	108,998
Total deferred outflows of resources	4,672,738
 Liabilities:	
Accounts payable.	65,558
Accrued wages and benefits payable	849,623
Intergovernmental payable	43,397
Pension and postemployment benefits payable.	125,175
Accrued interest payable	214,502
Long-term liabilities:	
Due within one year.	492,723
Due in more than one year:	
Net pension liability	10,917,448
Net OPEB liability	2,449,403
Other amounts due in more than one year	16,179,847
Total liabilities	31,337,676
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,839,785
Pension	791,601
OPEB	385,071
Total deferred inflows of resources	5,016,457
 Net position:	
Net investment in capital assets	8,078,782
Restricted for:	
Capital projects	976,929
Classroom facilities maintenance	129,750
Debt service.	632,702
State funded programs.	32,167
Federally funded programs	3,849
Student activities	33,684
Other purposes	17,681
Unrestricted (deficit)	(9,818,228)
Total net position (deficit)	\$ 87,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 1,882,873	\$ 674,236	\$ 117,332	\$ (1,091,305)
Special	652,032	21,580	624,763	(5,689)
Vocational	19,016	-	2,394	(16,622)
Other	420,121	-	-	(420,121)
Support services:				
Pupil	287,506	102,594	12,163	(172,749)
Instructional staff	150,204	-	1,871	(148,333)
Board of education	5,208	-	-	(5,208)
Administration	382,653	-	11,693	(370,960)
Fiscal	284,167	-	-	(284,167)
Operations and maintenance	1,819,199	1,596	196	(1,817,407)
Pupil transportation	230,881	18,488	11,461	(200,932)
Central	8,780	-	-	(8,780)
Operation of non-instructional services:				
Other non-instructional services	195,888	-	268,016	72,128
Food service operations	175,491	148,394	129,103	102,006
Extracurricular activities	193,561	102,616	1,526	(89,419)
Interest and fiscal charges	532,784	-	-	(532,784)
Total governmental activities	\$ 7,240,364	\$ 1,069,504	\$ 1,180,518	(4,990,342)

General revenues:

Property taxes levied for:		
General purposes		3,323,757
Debt service		862,235
Capital outlay		204,422
Special revenue		72,179
School district income tax		1,329,782
Grants and entitlements not restricted to specific programs		3,492,252
Investment earnings		64,658
Miscellaneous		58,314
Total general revenues		9,407,599
Change in net position		4,417,257
Net position (deficit) at beginning of year (restated) .		(4,329,941)
Net position at end of year		\$ 87,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,224,016	\$ 812,948	\$ 1,234,640	\$ 4,271,604
Receivables:				
Property taxes	3,137,311	808,158	259,139	4,204,608
Income taxes	582,610	-	-	582,610
Accrued interest	2,110	-	-	2,110
Interfund loans	35,000	-	-	35,000
Intergovernmental	54,148	-	116,925	171,073
Inventory held for resale	-	-	4,965	4,965
Due from other funds	91,876	-	-	91,876
Loan receivable	499	-	-	499
Total assets	<u>\$ 6,127,570</u>	<u>\$ 1,621,106</u>	<u>\$ 1,615,669</u>	<u>\$ 9,364,345</u>
Liabilities:				
Accounts payable	\$ 11,707	\$ -	\$ 53,851	\$ 65,558
Accrued wages and benefits payable	793,667	-	55,956	849,623
Compensated absences payable	6,727	-	-	6,727
Intergovernmental payable	40,049	-	3,348	43,397
Pension and postemployment benefits payable	117,540	-	7,635	125,175
Interfund loans payable	-	-	35,000	35,000
Due to other funds	-	-	91,876	91,876
Total liabilities	<u>969,690</u>	<u>-</u>	<u>247,666</u>	<u>1,217,356</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	2,865,095	738,036	236,654	3,839,785
Delinquent property tax revenue not available	18,522	4,771	1,530	24,823
Income tax revenue not available	84,795	-	-	84,795
Intergovernmental revenue not available	21,254	-	11,719	32,973
Total deferred inflows of resources	<u>2,989,666</u>	<u>742,807</u>	<u>249,903</u>	<u>3,982,376</u>
Fund balances:				
Restricted:				
Debt service	-	878,299	-	878,299
Capital improvements	-	-	975,795	975,795
Classroom facilities maintenance	-	-	129,354	129,354
Non-public schools	-	-	31,708	31,708
Other purposes	-	-	17,681	17,681
Extracurricular	-	-	33,684	33,684
Assigned:				
Student instruction	48,934	-	-	48,934
Student and staff support	111,835	-	-	111,835
Extracurricular activities	2,755	-	-	2,755
Subsequent year's appropriations	58,490	-	-	58,490
Unassigned (deficit)	1,946,200	-	(70,122)	1,876,078
Total fund balances	<u>2,168,214</u>	<u>878,299</u>	<u>1,118,100</u>	<u>4,164,613</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,127,570</u>	<u>\$ 1,621,106</u>	<u>\$ 1,615,669</u>	<u>\$ 9,364,345</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total governmental fund balances		\$	4,164,613
<i>Amounts reported for governmental activities on 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.			22,531,242
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	24,823	
Income taxes receivable		84,795	
Intergovernmental receivable		32,973	
Total			142,591
Unamortized premiums on bonds issued are not recognized in the funds.			(1,737,064)
Unamortized amounts on refundings are not recognized in the funds.			1,295,604
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(214,502)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(14,046,866)	
Compensated absences		(881,913)	
Total			(14,928,779)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - pension		3,268,136	
Deferred Inflows - pension		(791,601)	
Net pension liability		(10,917,448)	
Total			(8,440,913)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - OPEB		108,998	
Deferred Inflows - OPEB		(385,071)	
Net OPEB liability		(2,449,403)	
Total			(2,725,476)
Net position of governmental activities		\$	87,316

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,323,523	\$ 862,297	\$ 276,654	\$ 4,462,474
Income taxes	1,332,284	-	-	1,332,284
Tuition	693,948	-	-	693,948
Earnings on investments	54,205	-	11,521	65,726
Charges for services	-	-	148,620	148,620
Extracurricular	102,594	-	121,104	223,698
Classroom materials and fees	1,868	-	-	1,868
Rental income	1,370	-	-	1,370
Contributions and donations	-	-	83,515	83,515
Other local revenues	58,314	-	2,511	60,825
Intergovernmental - state	3,579,712	109,713	304,643	3,994,068
Intergovernmental - federal	28,290	-	585,472	613,762
Total revenues	9,176,108	972,010	1,534,040	11,682,158
Expenditures:				
Current:				
Instruction:				
Regular	4,108,680	-	80,512	4,189,192
Special	803,944	-	402,034	1,205,978
Vocational	72,668	-	-	72,668
Other	421,196	-	-	421,196
Support services:				
Pupil	471,426	-	14,943	486,369
Instructional staff	324,271	-	5,291	329,562
Board of education	8,373	-	-	8,373
Administration	765,406	-	12,099	777,505
Fiscal	261,946	14,388	4,582	280,916
Operations and maintenance	888,545	-	91,945	980,490
Pupil transportation	391,428	-	16,828	408,256
Central	13,314	-	-	13,314
Operation of non-instructional services:				
Other non-instructional services	7,855	-	275,705	283,560
Food service operations	-	-	268,742	268,742
Extracurricular activities	279,211	-	95,402	374,613
Facilities acquisition and construction	-	-	691,338	691,338
Debt service:				
Principal retirement	-	520,000	49,000	569,000
Interest and fiscal charges	-	515,887	15,798	531,685
Total expenditures	8,818,263	1,050,275	2,024,219	11,892,757
Excess (deficiency) of revenues over (under) expenditures	357,845	(78,265)	(490,179)	(210,599)
Other financing sources (uses):				
Transfers in	-	-	264,401	264,401
Transfers (out)	-	-	(264,401)	(264,401)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	357,845	(78,265)	(490,179)	(210,599)
Fund balances at beginning of year	1,810,369	956,564	1,608,279	4,375,212
Fund balances at end of year	\$ 2,168,214	\$ 878,299	\$ 1,118,100	\$ 4,164,613

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (210,599)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 229,973	
Current year depreciation	(775,408)	
Total	(545,435)	(545,435)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (49,470)

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

Property taxes	110	
Income taxes	(2,502)	
Intergovernmental	(22,085)	
Total	(24,477)	(24,477)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 569,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	450	
Accreted interest on capital appreciation bonds	(21,976)	
Amortization of deferred charges	(75,156)	
Amortization of bond premiums	95,583	
Total	(1,099)	(1,099)

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 governmental funds. (19,617)

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 750,223

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. 3,521,020

Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 27,092

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities. 400,619

Change in net position of governmental activities \$ 4,417,257

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,949,431	\$ 2,940,900	\$ 3,229,829	\$ 288,929
Income taxes.	1,303,771	1,300,000	1,323,805	23,805
Tuition.	571,654	570,000	689,109	119,109
Earnings on investments	25,073	25,000	53,557	28,557
Classroom materials and fees	3,009	3,000	1,868	(1,132)
Rental income	2,006	2,000	1,370	(630)
Contributions and donations	1,003	1,000	-	(1,000)
Other local revenues	51,148	51,000	43,439	(7,561)
Intergovernmental - state	3,695,689	3,685,000	3,619,087	(65,913)
Intergovernmental - federal	40,116	40,000	28,290	(11,710)
Total revenues	<u>8,642,900</u>	<u>8,617,900</u>	<u>8,990,354</u>	<u>372,454</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,975,923	3,975,530	4,092,421	(116,891)
Special.	760,026	760,826	803,049	(42,223)
Vocational.	71,431	71,424	72,428	(1,004)
Other.	457,983	457,937	420,709	37,228
Support services:				
Pupil.	354,992	354,957	381,780	(26,823)
Instructional staff	444,771	444,727	357,832	86,895
Board of education	12,210	12,209	8,373	3,836
Administration.	808,555	808,475	781,196	27,279
Fiscal	290,594	290,565	273,695	16,870
Operations and maintenance.	904,906	904,816	916,386	(11,570)
Pupil transportation	447,574	447,529	390,592	56,937
Central.	19,666	19,664	17,526	2,138
Other operation of non-instructional services	-	-	7,855	(7,855)
Extracurricular activities.	281,235	281,207	281,774	(567)
Facilities acquisition and construction	300	300	-	300
Total expenditures	<u>8,830,166</u>	<u>8,830,166</u>	<u>8,805,616</u>	<u>24,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(187,266)</u>	<u>(212,266)</u>	<u>184,738</u>	<u>397,004</u>
Other financing sources:				
Refund of prior year's expenditures	5,000	5,000	-	(5,000)
Advances in.	15,000	15,000	15,847	847
Total other financing sources	<u>20,000</u>	<u>20,000</u>	<u>15,847</u>	<u>(4,153)</u>
Net change in fund balance	(167,266)	(192,266)	200,585	392,851
Fund balance at beginning of year	1,824,321	1,824,321	1,824,321	-
Prior year encumbrances appropriated	115,380	115,380	115,380	-
Fund balance at end of year	<u>\$ 1,772,435</u>	<u>\$ 1,747,435</u>	<u>\$ 2,140,286</u>	<u>\$ 392,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 117,176
Total assets.	\$ 117,176
Liabilities:	
Accounts payable.	\$ 4,262
Loan payable	499
Due to students.	112,415
Total liabilities	\$ 117,176

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Dalton Local School District, Wayne County, Ohio, (the “District”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for providing public education to residents of the District.

Enrollment in the District as of June 30, 2018 was 850 students. The District employed 73 certified employees and 49 non-certified employees.

The District’s management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

The Tri-County Computer Services Association

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 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 for member districts. Each of the governments of these districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a Board of Directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the treasurer at the Tri-County Educational Service Center which serves as the fiscal agent located in Wooster, Ohio. During the year ended June 30, 2018, the District paid \$20,460 to TCCSA for basic service charges.

PUBLIC ENTITY RISK POOLS

The Stark County Schools Council of Governments Health Care Benefit Program

The Stark County Schools Council of Governments Health Care Benefit Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating member (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

INSURANCE POOLS

Workers' Compensation Group Rating Program

The Ohio Schools Council Association (the "Council") is a Council of Governments comprised of one-hundred-fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used for the retirement of serial bonds and short-term notes and loans.

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

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund used to account for student activities.

C. Basis of Presentation and Measurement Focus

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

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

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes (See Note 7), grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. 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.

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

For the District, see Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2018 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2018.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as part of restricted, committed, or assigned fund balance.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2018, investments were limited to the State Treasury Asset Reserve of Ohio (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 District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$54,205, which includes \$22,418 assigned from other District funds.

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

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District’s capitalization threshold is \$2,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	8 - 35 years
Vehicles	15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables”. These amounts are eliminated in the governmental type activities columns of the statement of net position. Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental financial statements.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

K. Accrued Liabilities and Long-Term 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability in the fund financial statements when due.

L. Fund Balance

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

M. Net Position

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

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

N. Estimates

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

O. Interfund Activity

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

P. Pensions/Other Postemployment Benefits (OPEB)

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

R. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of the bonds and the amount reported on the statement of net position is presented in Note 10.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements, and added required supplementary information which is presented on pages 68-81.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ (1,176,754)
Deferred outflows - payments subsequent to measurement date	19,536
Net OPEB liability	(3,172,723)
Restated net position at July 1, 2017	\$ (4,329,941)

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

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 28,736
Other grants	16,245
IDEA Part-B	12,910
Title I	9,274
Improving teacher quality	2,957

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 4 - DEPOSITS AND INVESTMENTS

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.”

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was a deficit of \$32,421. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2018, all of the District’s bank balance of \$78,271 was covered by the FDIC.

C. Investments

As of June 30, 2018, the District had the following investments and maturities:

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>Investment Maturity</u> 6 months or less
Amortized cost:		
STAR Ohio	<u>\$ 4,421,101</u>	<u>\$ 4,421,101</u>

The District’s investments in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

The District’s policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	<u>\$ 4,421,101</u>	<u>100.00</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (32,421)
Investments	4,421,101
Cash on hand	<u>100</u>
 Total	 <u>\$ 4,388,780</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,271,604
Agency fund	<u>117,176</u>
 Total	 <u>\$ 4,388,780</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Payable

Interfund balances for the year ended June 30, 2018, consisted of the following interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 35,000</u>

The primary purpose of the interfund balances is to cover cost in the specific nonmajor governmental funds where revenues were not received by June 30. These interfund balances are expected to be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Loans Payable

Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 499</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Due To / Due From Other Funds

Interfund balances at June 30, 2018 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 91,876</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2018 are reported on the statement of net position.

D. Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 264,401</u>

The purpose of this transfer was to move amounts to the classroom facilities fund, a nonmajor governmental fund, from the building fund, both of which are nonmajor governmental funds. This transfer closed out the buildings fund.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$253,694 in the general fund, \$65,351 in the bond retirement fund, \$15,537 in the permanent improvement fund (a nonmajor governmental fund), and \$5,418 in the classroom facilities fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$160,000 in the general fund, \$43,000 in the bond retirement fund, \$10,000 in the permanent improvement fund, and \$3,000 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 158,664,230	97.01	\$ 167,796,510	97.02
Public utility personal	<u>4,892,320</u>	<u>2.99</u>	<u>5,154,630</u>	<u>2.98</u>
Total	<u>\$ 163,556,550</u>	<u>100.00</u>	<u>\$ 172,951,140</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$49.70		\$49.60	

NOTE 7- INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005 and will continue for an indefinite period of time. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2018, \$1,332,284 of income tax revenue was credited to the general fund.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018 consisted of property taxes, income taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:

Property taxes	\$ 4,204,608
Income taxes	582,610
Accrued interest	2,110
Intergovernmental	<u>171,073</u>
 Total	 <u>\$ 4,960,401</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 753,364	\$ -	\$ -	\$ 753,364
Construction in progress	<u>8,001</u>	<u>120,509</u>	<u>(128,510)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>761,365</u>	<u>120,509</u>	<u>(128,510)</u>	<u>753,364</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,885,579	7,990	-	1,893,569
Buildings and improvements	23,713,565	131,798	(115,000)	23,730,363
Furniture and equipment	845,098	98,186	-	943,284
Vehicles	<u>883,149</u>	<u>-</u>	<u>-</u>	<u>883,149</u>
Total capital assets, being depreciated	<u>27,327,391</u>	<u>237,974</u>	<u>(115,000)</u>	<u>27,450,365</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(494,034)	(80,790)	-	(574,824)
Buildings and improvements	(3,482,591)	(588,107)	65,530	(4,005,168)
Furniture and equipment	(415,184)	(69,058)	-	(484,242)
Vehicles	<u>(570,800)</u>	<u>(37,453)</u>	<u>-</u>	<u>(608,253)</u>
Total accumulated depreciation	<u>(4,962,609)</u>	<u>(775,408)</u>	<u>65,530</u>	<u>(5,672,487)</u>
Governmental activities capital assets, net	<u>\$ 23,126,147</u>	<u>\$ (416,925)</u>	<u>\$ (177,980)</u>	<u>\$ 22,531,242</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 73,279
<u>Support services:</u>	
Pupil	
Instructional staff	6,024
Administration	1,192
Fiscal	2,883
Operations and maintenance	608,600
Pupil transportation	36,878
Extracurricular activities	40,319
Food service operation	<u>6,233</u>
Total depreciation expense	<u>\$ 775,408</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2018, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated Balance <u>06/30/17</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/18</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>2011 Series Issue:</u>					
School improvement bonds	\$ 1,530,000	\$ -	\$ (350,000)	\$ 1,180,000	\$ 375,000
<u>2012 Series Issue:</u>					
Energy conservation bonds	560,000	-	(49,000)	511,000	50,000
<u>2016 Series Refunding Bonds:</u>					
Current Interest Bonds	8,310,000	-	(80,000)	8,230,000	25,000
Capital Appreciation Bonds	80,000	-	-	80,000	-
Accreted Interest	10,626	15,332	-	25,958	-
<u>2017 Series Refunding Bonds:</u>					
Current Interest Bonds	4,065,000	-	(90,000)	3,975,000	5,000
Capital Appreciation Bonds	35,000	-	-	35,000	-
Accreted Interest	3,264	6,644	-	9,908	-
Net Pension Liability	15,534,758	-	(4,617,310)	10,917,448	-
Net OPEB Liability	3,172,723	-	(723,320)	2,449,403	-
Compensated absences	<u>862,296</u>	<u>44,670</u>	<u>(18,326)</u>	<u>888,640</u>	<u>37,723</u>
Total long-term obligations, governmental activities	<u>\$ 34,163,667</u>	<u>\$ 66,646</u>	<u>\$ (5,927,956)</u>	28,302,357	<u>\$ 492,723</u>
			Add: Unamortized Premium	1,737,064	
				<u>\$ 30,039,421</u>	

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability: The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: The District's net OPEB liability is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated Absences: Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

B. Classroom Facilities and School Improvement Bonds

On September 20, 2011, the District issued general obligation bonds (school improvement bonds - series 2011) in order to fund the local share of the Ohio Schools Facilities Commission (OSFC) project. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The bonds will be paid from the bond retirement fund. The source of payment is derived from the District's property tax bond levy.

The issued is comprised of current interest bonds, par value \$14,750,000. The interest rates on the current interest bonds range from 2.00% to 5.00%.

Interest payments on the current interest bonds are due on February 1 and August 1 of each year. The final stated maturity of the current interest bonds is August 1, 2039.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2019	\$ 375,000	\$ 28,838	\$ 403,838
2020	395,000	18,225	413,225
2021	410,000	6,150	416,150
Total	<u>\$ 1,180,000</u>	<u>\$ 53,213</u>	<u>\$ 1,233,213</u>

C. Energy Conservation Bonds - Series 2012

In August 2012, the District issued \$788,336 in energy conservation bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 2.95%, mature on December 1, 2026 and will be paid from the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the energy conservation bonds are as follows:

Fiscal Year Ended	Energy Conservation Bonds		
	Principal	Interest	Total
2019	\$ 50,000	\$ 14,327	\$ 64,327
2020	52,000	12,833	64,833
2021	53,000	11,284	64,284
2022	55,000	9,691	64,691
2023	57,000	8,039	65,039
2024 - 2027	244,000	14,690	258,690
Total	<u>\$ 511,000</u>	<u>\$ 70,864</u>	<u>\$ 581,864</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. School Improvement Refunding Bonds – Series 2016

On November 22, 2016, the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2016) to advance refund \$8,390,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$8,310,000 and capital appreciation bonds, par value \$80,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2026 (interest rate 16.443%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$370,000. Total accreted interest of \$25,958 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2039.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,042,026. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 23 years by \$756,271 and resulted in a net present value economic gain of \$597,665.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2019	\$ 25,000	\$ 323,150	\$ 348,150
2020	25,000	322,650	347,650
2021	25,000	322,150	347,150
2022	25,000	321,650	346,650
2023	25,000	321,150	346,150
2024 - 2028	270,000	1,590,850	1,860,850
2029 - 2033	2,050,000	1,443,800	3,493,800
2034 - 2038	3,970,000	772,400	4,742,400
2039 - 2040	1,815,000	73,300	1,888,300
Total	<u>\$ 8,230,000</u>	<u>\$ 5,491,100</u>	<u>\$ 13,721,100</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024 - 2028	80,000	290,000	370,000
2029 - 2033	-	-	-
2034 - 2038	-	-	-
2039 - 2040	-	-	-
Total	<u>\$ 80,000</u>	<u>\$ 290,000</u>	<u>\$ 370,000</u>

E. School Improvement Refunding Bonds – Series 2017

On February 16, 2017 the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2017) to advance refund \$4,100,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$4,065,000 and capital appreciation bonds, par value \$35,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2023 (interest rate 16.933%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$9,908 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$368,998. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments by \$289,975 and resulted in a net present value economic gain of \$241,896.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,000	\$ 158,650	\$ 163,650
2020	5,000	158,550	163,550
2021	5,000	158,450	163,450
2022	440,000	149,600	589,600
2023	460,000	131,600	591,600
2024 - 2028	1,915,000	414,300	2,329,300
2029 - 2030	<u>1,145,000</u>	<u>46,100</u>	<u>1,191,100</u>
Total	<u>\$ 3,975,000</u>	<u>\$ 1,217,250</u>	<u>\$ 5,192,250</u>

Fiscal Year Ended	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024 - 2028	35,000	65,000	100,000
2029 - 2030	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 35,000</u>	<u>\$ 65,000</u>	<u>\$ 100,000</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$2,943,421, including available funds of \$877,818 and an unvoted debt margin of \$172,951. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The 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 2018, the District has contracted with Argonaut Insurance Group to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$1,000,000	\$ 0
Annual aggregate	3,000,000	0
Commercial excess liability:		
Each occurrence	5,000,000	0
Annual aggregate	5,000,000	0
Crime coverage		
Theft, Disappearance, Destruction	50,000	500
Public Employee Dishonesty	100,000	1,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist & Underinsured	1,000,000	0
Comprehensive and Collision	1,000,000	500
Building and contents	37,304,065	2,500

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

B. Medical and Dental Insurance

During fiscal year 2018, the District was a member of the Stark County Schools Council of Governments Health Care Benefit Program (Council), a shared risk pool (See Note 2.A.) to provide employees with medical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

C. Workers' Compensation

For fiscal year 2018, the District participated in the Ohio Schools Council Association (the "Council") Workers' Compensation Group Rating Plan (GRP), a jointly governed organization. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative cost control and actuarial services to the Council.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire 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 three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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

The District's contractually required contribution to SERS was \$171,677 for fiscal year 2018. Of this amount, \$12,187 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five 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.

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

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

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

The District's contractually required contribution to STRS was \$578,546 for fiscal year 2018. Of this amount, \$91,804 is reported as pension and postemployment benefits payable.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected 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	0.04054600%	0.03754417%	
Proportion of the net pension liability current measurement date	<u>0.03813690%</u>	<u>0.03636613%</u>	
Change in proportionate share	<u>-0.00240910%</u>	<u>-0.00117804%</u>	
Proportionate share of the net pension liability	\$ 2,278,596	\$ 8,638,852	\$ 10,917,448
Pension expense	\$ (149,566)	\$ (3,371,454)	\$ (3,521,020)

At June 30, 2018, the 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	\$ 98,064	\$ 333,594	\$ 431,658
Changes of assumptions	117,827	1,889,412	2,007,239
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	79,016	79,016
District contributions subsequent to the measurement date	<u>171,677</u>	<u>578,546</u>	<u>750,223</u>
Total deferred outflows of resources	<u>\$ 387,568</u>	<u>\$ 2,880,568</u>	<u>\$ 3,268,136</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 69,626	\$ 69,626
Net difference between projected and actual earnings on pension plan investments	10,813	285,092	295,905
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>147,348</u>	<u>278,722</u>	<u>426,070</u>
Total deferred inflows of resources	<u>\$ 158,161</u>	<u>\$ 633,440</u>	<u>\$ 791,601</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

\$750,223 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	\$ 23,836	\$ 352,988	\$ 376,824
2020	83,638	740,811	824,449
2021	3,372	493,547	496,919
2022	<u>(53,116)</u>	<u>81,236</u>	<u>28,120</u>
Total	<u>\$ 57,730</u>	<u>\$ 1,668,582</u>	<u>\$ 1,726,312</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.

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

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is 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 using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	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. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,162,098	\$ 2,278,596	\$ 1,538,482

Actuarial Assumptions - STRS Ohio

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 12,383,501	\$ 8,638,852	\$ 5,484,547

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (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 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$20,734.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$27,092 for fiscal year 2018. Of this amount, \$21,185 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04086665%	0.03754417%	
Proportion of the net OPEB liability current measurement date	<u>0.03839910%</u>	<u>0.03636613%</u>	
Change in proportionate share	<u>-0.00246755%</u>	<u>-0.00117804%</u>	
Proportionate share of the net OPEB liability	\$ 1,030,531	\$ 1,418,872	\$ 2,449,403
OPEB expense	\$ 41,344	\$ (441,963)	\$ (400,619)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 81,906	\$ 81,906
District contributions subsequent to the measurement date	<u>27,092</u>	<u>-</u>	<u>27,092</u>
Total deferred outflows of resources	<u>\$ 27,092</u>	<u>\$ 81,906</u>	<u>\$ 108,998</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 2,722	\$ 60,646	\$ 63,368
Changes of assumptions	97,792	114,295	212,087
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>55,614</u>	<u>54,002</u>	<u>109,616</u>
Total deferred inflows of resources	<u>\$ 156,128</u>	<u>\$ 228,943</u>	<u>\$ 385,071</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$27,092 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$ (56,262)	\$ (29,559)	\$ (85,821)
2020	(56,262)	(29,559)	(85,821)
2021	(42,922)	(29,559)	(72,481)
2022	(683)	(29,559)	(30,242)
2023	-	(14,400)	(14,400)
2024	-	(14,400)	(14,400)
	\$ (156,129)	\$ (147,036)	\$ (303,165)
Total			

Actuarial Assumptions - SERS

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 1,244,497	\$ 1,030,531	\$ 861,015

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 836,199	\$ 1,030,531	\$ 1,287,733

Actuarial Assumptions - STRS

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

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 1,904,813	\$ 1,418,872	\$ 1,034,820
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 985,772	\$ 1,418,872	\$ 1,988,883

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General fund</u>
Budget basis	\$ 200,585
Net adjustment for revenue accruals	83,160
Net adjustment for expenditure accruals	(73,396)
Net adjustment for other sources/uses	(15,847)
Funds budgeted elsewhere	9,435
Adjustment for encumbrances	<u>153,908</u>
GAAP basis	<u>\$ 357,845</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Effective for fiscal year 2018, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As a result of the fiscal year 2018 reviews, the District is due \$44,002 from ODE. This amount has not been included in the financial statements.

NOTE 16 - SET-ASIDES

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 16 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	155,729
Current year qualifying expenditures	(72,908)
Current year offsets	<u>(268,699)</u>
Total	<u>\$ (185,878)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 166,240
Nonmajor governmental funds	<u>212,119</u>
Total	<u>\$ 378,359</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Wayne County provides tax abatements through Enterprise Zones (Ezone).

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The Ezone agreement entered into by Wayne County affects the property tax receipts collected and distributed to the District. There was an Ezone agreement with TOOP LLC & P. Graham Dunn, Inc. that affected the District. Under the agreement, the District property taxes were reduced by approximately \$3,000.

REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03813690%	0.04054600%	0.04144680%	0.04224400%	0.04224400%
District's proportionate share of the net pension liability	\$ 2,278,596	\$ 2,967,593	\$ 2,364,995	\$ 2,137,945	\$ 2,512,115
District's covered payroll	\$ 1,237,064	\$ 1,260,079	\$ 1,247,762	\$ 1,227,511	\$ 1,163,743
District's proportionate share of the net pension liability as a percentage of its covered payroll	184.19%	235.51%	189.54%	174.17%	215.87%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03636613%	0.03754417%	0.03734956%	0.03698384%	0.03698384%
District's proportionate share of the net pension liability	\$ 8,638,852	\$ 12,567,165	\$ 10,322,326	\$ 8,995,750	\$ 10,715,678
District's covered payroll	\$ 4,009,864	\$ 3,959,686	\$ 3,955,581	\$ 3,778,731	\$ 3,661,146
District's proportionate share of the net pension liability as a percentage of its covered payroll	215.44%	317.38%	260.96%	238.06%	292.69%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 171,677	\$ 173,189	\$ 176,411	\$ 164,455
Contributions in relation to the contractually required contribution	<u>(171,677)</u>	<u>(173,189)</u>	<u>(176,411)</u>	<u>(164,455)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079	\$ 1,247,762
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 170,133	\$ 161,062	\$ 162,304	\$ 158,508	\$ 173,831	\$ 126,016
<u>(170,133)</u>	<u>(161,062)</u>	<u>(162,304)</u>	<u>(158,508)</u>	<u>(173,831)</u>	<u>(126,016)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,227,511	\$ 1,163,743	\$ 1,206,721	\$ 1,261,002	\$ 1,283,833	\$ 1,280,650
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 578,546	\$ 561,381	\$ 554,356	\$ 553,780
Contributions in relation to the contractually required contribution	<u>(578,546)</u>	<u>(561,381)</u>	<u>(554,356)</u>	<u>(553,780)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686	\$ 3,955,571
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 491,235	\$ 475,949	\$ 497,748	\$ 515,734	\$ 523,830	\$ 512,857
<u>(491,235)</u>	<u>(475,949)</u>	<u>(497,748)</u>	<u>(515,734)</u>	<u>(523,830)</u>	<u>(512,857)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,778,731	\$ 3,661,146	\$ 3,828,831	\$ 3,967,185	\$ 4,029,462	\$ 3,945,054
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.03839910%	0.04086665%
District's proportionate share of the net OPEB liability	\$ 1,030,531	\$ 1,164,851
District's covered payroll	\$ 1,237,064	\$ 1,260,079
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.30%	92.44%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net OPEB liability	0.03636613%	0.03754417%
District's proportionate share of the net OPEB liability	\$ 1,418,872	\$ 2,007,872
District's covered payroll	\$ 4,009,864	\$ 3,959,686
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.38%	50.71%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 27,092	\$ 19,536	\$ 19,725	\$ 30,368
Contributions in relation to the contractually required contribution	<u>(27,092)</u>	<u>(19,536)</u>	<u>(19,725)</u>	<u>(30,368)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,271,681	\$ 1,237,064	\$ 1,260,079	\$ 1,247,762
Contributions as a percentage of covered payroll	2.13%	1.58%	1.57%	2.43%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 21,992	\$ 20,215	\$ 31,486	\$ 44,951	\$ 32,538	\$ 78,522
<u>(21,992)</u>	<u>(20,215)</u>	<u>(31,486)</u>	<u>(44,951)</u>	<u>(32,538)</u>	<u>(78,522)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,227,511	\$ 1,163,743	\$ 1,206,721	\$ 1,261,002	\$ 1,283,833	\$ 1,280,650
1.79%	1.74%	2.61%	3.56%	2.53%	6.13%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,132,471	\$ 4,009,864	\$ 3,959,686	\$ 3,955,571
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 37,915	\$ 36,611	\$ 38,288	\$ 39,672	\$ 40,295	\$ 78,522
<u>(37,915)</u>	<u>(36,611)</u>	<u>(38,288)</u>	<u>(39,672)</u>	<u>(40,295)</u>	<u>(78,522)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,778,731	\$ 3,661,146	\$ 3,828,831	\$ 3,967,185	\$ 4,029,462	\$ 3,945,054
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

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

(Continued)

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities decreased \$217,481, which represents a 22.67% decrease from 2016.
- General revenues accounted for \$9,296,726 in revenue or 81.23% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,148,105 or 18.77% of total revenues of \$11,444,831.
- The District had \$11,662,312 in expenses related to governmental activities; \$2,148,105 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,296,726 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$8,728,365 in revenues and \$8,332,990 in expenditures. During fiscal year 2017, the general fund's fund balance increased \$395,375 from a balance of \$1,414,994 to a balance of \$1,810,369.
- The bond retirement fund had \$15,241,581 in revenues and other financing sources. The bond retirement fund also had \$15,135,056 in expenditures and other financing uses. During fiscal year 2017, the bond retirement fund's fund balance increased \$106,525 from a balance of \$850,039 to a balance of \$956,564.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are considered major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 94-95 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 89. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 basic financial statements. The basic governmental fund financial statements can be found on pages 96-100 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of net position on page 101. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 102-139 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 141 through 147 of this report.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current and other assets	\$ 9,285,987	\$ 8,573,127
Capital assets, net	<u>23,126,147</u>	<u>23,690,410</u>
Total assets	<u>32,412,134</u>	<u>32,263,537</u>
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on refunding	1,370,760	-
Pension	<u>2,881,544</u>	<u>1,327,804</u>
Total deferred outflows of resources	<u>4,252,304</u>	<u>1,327,804</u>
<u>Liabilities</u>		
Current liabilities	1,245,387	1,255,879
Long-term liabilities:		
Due within one year	587,326	387,043
Due in more than one year:		
Net pension liability	15,534,758	12,687,321
Other amounts	<u>16,701,507</u>	<u>15,613,395</u>
Total liabilities	<u>34,068,978</u>	<u>29,943,638</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for next year	3,713,272	3,763,101
Pensions	<u>58,942</u>	<u>843,875</u>
Total deferred inflows of resources	<u>3,772,214</u>	<u>4,606,976</u>
<u>Net Position</u>		
Net investment in capital assets	8,079,907	8,756,936
Restricted	2,146,177	1,826,378
Unrestricted (deficit)	<u>(11,402,838)</u>	<u>(11,542,587)</u>
Total net position (deficit)	<u>\$ (1,176,754)</u>	<u>\$ (959,273)</u>

The District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and 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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the 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 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 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.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,176,754. Of this total, \$2,146,177 is restricted in use.

At year-end, capital assets represented 71.35% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's investment in capital assets at June 30, 2017, was \$8,079,907. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

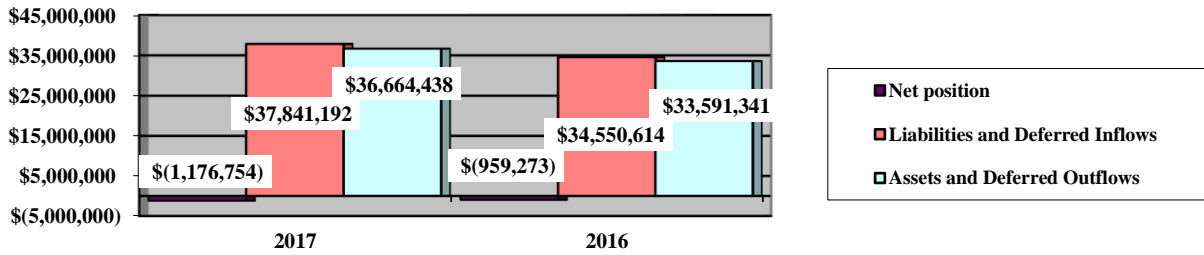
A portion of the District's net position, \$2,146,177, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$11,402,838.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2017 and June 30, 2016.

Governmental Activities



The table below shows the changes in net position for governmental activities for fiscal years 2017 and 2016.

	Change in Net Position	
	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services and sales	\$ 937,502	\$ 801,128
Operating grants and contributions	1,210,603	1,191,705
General revenues:		
Property taxes	4,054,085	4,037,214
School district income tax	1,391,687	1,261,314
Grants and entitlements	3,591,493	3,610,573
Investment earnings	24,063	5,979
Other	235,398	51,892
Total revenues	11,444,831	10,959,805

-Continued

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Change in Net Position (Continued)	
	Governmental Activities	Governmental Activities
	<u>2017</u>	<u>2016</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,277,547	\$ 4,296,688
Special	1,067,902	1,142,415
Vocational	82,171	73,584
Other	457,039	508,372
Support services:		
Pupil	464,196	435,370
Instructional staff	677,341	508,685
Board of education	8,151	21,998
Administration	830,527	841,494
Fiscal	311,452	316,009
Operations and maintenance	1,467,107	1,090,276
Pupil transportation	420,531	475,878
Central	16,871	37,673
Food service operations	260,070	269,580
Other non-instructional services	207,372	229,639
Extracurricular activities	414,818	453,386
Interest and fiscal charges	<u>699,217</u>	<u>632,153</u>
Total expenses	<u>11,662,312</u>	<u>11,333,200</u>
Change in net position	(217,481)	(373,395)
Net position (deficit) at beginning of year	<u>(959,273)</u>	<u>(585,878)</u>
Net position (deficit) at end of year	<u>\$ (1,176,754)</u>	<u>\$ (959,273)</u>

Governmental Activities

Net position of the District's governmental activities decreased \$217,481. Total governmental expenses of \$11,662,312 were offset by program revenues of \$2,148,105 and general revenues of \$9,296,726. Program revenues supported 18.42% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 78.96% of total governmental revenues.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,884,659 or 50.46% of total governmental expenses for fiscal year 2017.

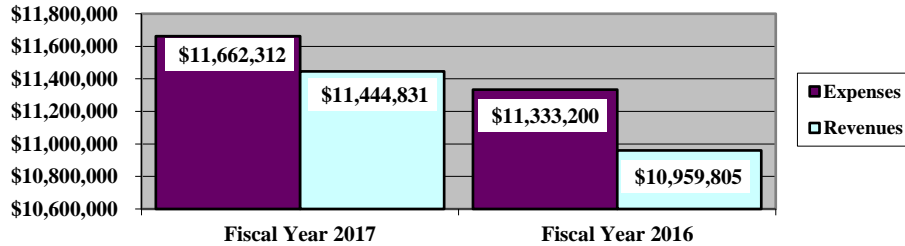
The property tax revenue of the District increased during fiscal year 2016. The District receives collections resulting from the passing of a .5 mill continuous permanent improvement levy in May of 2011.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph on the following page presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 4,277,547	\$ 3,666,143	\$ 4,296,688	\$ 3,813,901
Special	1,067,902	447,709	1,142,415	379,102
Vocational	82,171	79,777	73,584	71,499
Other	457,039	457,039	508,372	508,372
Support services:				
Pupil	464,196	331,352	435,370	336,268
Instructional staff	677,341	586,390	508,685	461,965
Board of education	8,151	8,151	21,998	21,998
Administration	830,527	790,038	841,494	841,494
Fiscal	311,452	311,452	316,009	316,009
Operations and maintenance	1,467,107	1,465,349	1,090,276	1,086,357
Pupil transportation	420,531	400,475	475,878	466,454
Central	16,871	16,871	37,673	37,673
Operations of non-instructional services:				
Food service operations	260,070	3,582	269,580	28,426
Other non-instructional services	207,372	(57,701)	229,639	(25,480)
Extracurricular activities	414,818	308,363	453,386	364,176
Interest and fiscal charges	699,217	699,217	632,153	632,153
Total expenses	<u>\$ 11,662,312</u>	<u>\$ 9,514,207</u>	<u>\$ 11,333,200</u>	<u>\$ 9,340,367</u>

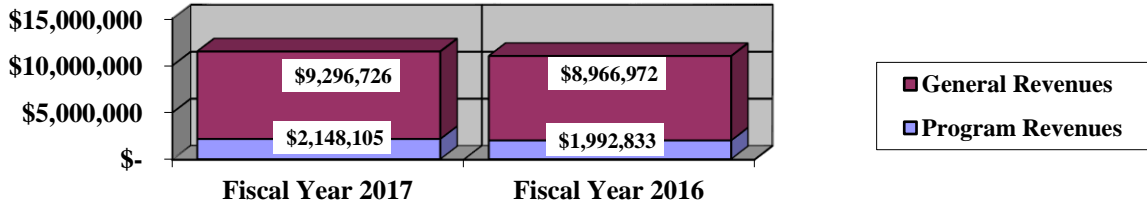
The dependence upon taxes and other general revenues for governmental activities is apparent, 79.03% and 79.27% of instruction activities were supported through taxes and other general revenues for fiscal years 2017 and 2016, respectively. For all governmental activities, general revenue support is 81.58%.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,375,212, which is higher than last year's balance of \$3,630,142. The schedule that follows indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Change	Percentage Change
General	\$ 1,810,369	\$ 1,414,994	\$ 395,375	27.94 %
Bond retirement	956,564	850,039	106,525	12.53 %
Other Governmental	1,608,279	1,365,109	243,170	17.81 %
Total	\$ 4,375,212	\$ 3,630,142	\$ 745,070	20.52 %

THIS SPACE INTIONALLY LEFT BLANK

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

General Fund

The District's general fund balance increased \$395,375. Revenues from taxes increased by \$90,281 in fiscal year 2017 due to an increase in property taxes collected during the fiscal year. Earnings on investments increased by \$13,289 due to more of the District's funds being invested into STAR Ohio.

Expenditures decreased \$91,866 or 1.09% from fiscal year 2016.

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,319,184	\$ 4,228,903	\$ 90,281	2.13 %
Tuition	571,357	480,770	90,587	18.84 %
Earnings on investments	18,680	5,391	13,289	246.50 %
Classroom materials and fees	2,845	2,017	828	41.05 %
Intergovernmental	3,652,805	3,768,936	(116,131)	(3.08) %
Other revenues	<u>163,494</u>	<u>152,195</u>	<u>11,299</u>	7.42 %
Total	<u>\$ 8,728,365</u>	<u>\$ 8,638,212</u>	<u>\$ 90,153</u>	1.04 %
<u>Expenditures</u>				
Instruction	\$ 4,910,931	\$ 5,014,387	\$ (103,456)	(2.06) %
Support services	3,155,782	3,142,283	13,499	0.43 %
Extracurricular activities	265,993	262,555	3,438	1.31 %
Facilities acquisition and construction	<u>284</u>	<u>5,631</u>	<u>(5,347)</u>	(94.96) %
Total	<u>\$ 8,332,990</u>	<u>\$ 8,424,856</u>	<u>\$ (91,866)</u>	(1.09) %

Bond Retirement Fund

The bond retirement fund had \$15,241,581 in revenues and other financing sources. Expenditures and other financing uses totaled \$15,135,056. During fiscal year 2017, the bond retirement fund's fund balance increased \$106,525 from a balance of \$850,039 to \$956,564.

General Fund Budgeting Highlights

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

During the course of fiscal year 2017, the District had an original and final general fund budget. For the general fund, original budgeted revenues and other financing sources of \$8,602,600 were equal in the final budget. Actual revenues and other financing sources for fiscal year 2017 were \$8,775,074, which was \$172,474 higher than the final budget revenues and other financing sources.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$8,772,675. The actual budget basis expenditures for fiscal year 2017 totaled \$8,424,625, which was \$384,050 lower than the final budget appropriations.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$23,126,147 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This is a \$564,263 decrease over last year due to the District's depreciation expense exceeding capital outlays during fiscal year 2017.

The following table shows June 30, 2017 balances compared to June 30, 2016:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2017	2016
Land	\$ 753,364	\$ 755,864
Construction in progress	8,001	-
Land improvements	1,391,545	1,392,790
Building and improvements	20,230,974	20,785,144
Furniture and equipment	429,914	484,163
Vehicles	312,349	272,449
Total	\$ 23,126,147	\$ 23,690,410

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had \$560,000 in energy conservation bonds outstanding and \$14,033,890 in school improvement bonds. Of this total, \$569,000 is due within one year and \$14,024,890 is due in more than one year. The following table summarizes the energy conservation bonds and school improvement bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2017	2016
Energy conservation bonds	\$ 560,000	\$ 607,000
School improvement bonds	14,033,890	14,320,000
Total	\$ 14,593,890	\$ 14,927,000

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Current Financial Related Activities

The District relies heavily upon revenue from grants, property taxes and the state foundation program. In August of 2004, the voters of the District passed a .75% income tax levy to help meet the increasing costs of educating our students. The District continues to strive to maintain the highest standards of excellence in educating our students, while carefully making the most effective use out of each dollar received.

The District has worked hard to contain costs but is faced with ever-increasing mandates from the federal and state levels. Over the past few years, reduction in staffing and other cost containment measures have been taken. The District expects revenue and carryover cash balances to be sufficient to meet operating expenses through fiscal year 2018; however, there are still many challenges to overcome.

The community made a significant investment in the District with the overwhelming passage of a 6.5 mill bond levy to build a new Pre K-8 building. Even with the passage of this bond the District needs to address the high school. The 2.0 mill permanent improvement levy was renewed in August 2012.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Ms. Sheryl Shaw Stewart, Treasurer, Dalton Local School District, P.O. Box 514, Dalton, Ohio 44618.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,555,214
Receivables:	
Property taxes	3,953,985
Income taxes	576,633
Accrued interest	1,462
Intergovernmental	191,672
Materials and supplies inventory	200
Inventory held for resale	5,475
Loans receivable	1,346
Capital assets:	
Nondepreciable capital assets	761,365
Depreciable capital assets, net	22,364,782
Capital assets, net	23,126,147
Total assets	32,412,134
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,370,760
Pension - STRS	2,225,441
Pension - SERS	656,103
Total deferred outflows of resources	4,252,304
 Liabilities:	
Accounts payable	61,929
Contracts payable	4,353
Accrued wages and benefits payable	801,018
Intergovernmental payable	34,352
Pension and postemployment benefits payable	128,783
Accrued interest payable	214,952
Long-term liabilities:	
Due within one year	587,326
Due in more than one year:	
Net pension liability	15,534,758
Other amounts due in more than one year	16,701,507
Total liabilities	34,068,978
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	3,713,272
Pension - SERS	58,942
Total deferred inflows of resources	3,772,214
 Net position:	
Net investment in capital assets	8,079,907
Restricted for:	
Capital projects	1,176,452
Classroom facilities maintenance	142,573
Debt service	725,271
Locally funded programs	26,817
State funded programs	39,336
Federally funded programs	12,918
Student activities	22,810
Unrestricted (deficit)	(11,402,838)
Total net position (deficit)	\$ (1,176,754)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,277,547	\$ 574,202	\$ 37,202	\$ (3,666,143)
Special	1,067,902	-	620,193	(447,709)
Vocational	82,171	-	2,394	(79,777)
Other	457,039	-	-	(457,039)
Support services:				
Pupil	464,196	109,867	22,977	(331,352)
Instructional staff	677,341	-	90,951	(586,390)
Board of education	8,151	-	-	(8,151)
Administration	830,527	-	40,489	(790,038)
Fiscal	311,452	-	-	(311,452)
Operations and maintenance	1,467,107	1,512	246	(1,465,349)
Pupil transportation	420,531	9,458	10,598	(400,475)
Central	16,871	-	-	(16,871)
Operation of non-instructional services:				
Other non-instructional services	207,372	-	265,073	57,701
Food service operations	260,070	136,008	120,480	(3,582)
Extracurricular activities	414,818	106,455	-	(308,363)
Interest and fiscal charges	699,217	-	-	(699,217)
Total governmental activities	\$ 11,662,312	\$ 937,502	\$ 1,210,603	(9,514,207)

General revenues:

Property taxes levied for:	
General purposes	3,002,870
Debt service	799,631
Capital outlay	186,294
Special revenue	65,290
School district income tax	1,391,687
Grants and entitlements not restricted to specific programs	3,591,493
Investment earnings	24,063
Miscellaneous	235,398
Total general revenues	9,296,726
 Change in net position	 (217,481)
Net position (deficit) at beginning of year	(959,273)
Net position (deficit) at end of year	\$ (1,176,754)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,920,751	\$ 913,564	\$ 1,720,899	\$ 4,555,214
Receivables:				
Property taxes	2,959,535	774,098	220,352	3,953,985
Income taxes	576,633	-	-	576,633
Accrued interest	1,462	-	-	1,462
Interfund loans	50,000	-	-	50,000
Intergovernmental	89,683	-	101,989	191,672
Materials and supplies inventory	-	-	200	200
Inventory held for resale	-	-	5,475	5,475
Due from other funds	32,263	-	-	32,263
Loan receivable	1,346	-	-	1,346
Total assets	<u>\$ 5,631,673</u>	<u>\$ 1,687,662</u>	<u>\$ 2,048,915</u>	<u>\$ 9,368,250</u>
Liabilities:				
Accounts payable	\$ 14,465	\$ -	\$ 47,464	\$ 61,929
Contracts payable	-	-	4,353	4,353
Accrued wages and benefits payable	730,957	-	70,061	801,018
Intergovernmental payable	33,792	-	560	34,352
Pension and postemployment benefits payable	119,279	-	9,504	128,783
Interfund loans payable	-	-	50,000	50,000
Due to other funds	-	-	32,263	32,263
Total liabilities	<u>898,493</u>	<u>-</u>	<u>214,205</u>	<u>1,112,698</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	2,781,247	726,265	205,760	3,713,272
Delinquent property tax revenue not available	18,288	4,833	1,592	24,713
Income tax revenue not available	87,297	-	-	87,297
Intergovernmental revenue not available	35,979	-	19,079	55,058
Total deferred inflows of resources	<u>2,922,811</u>	<u>731,098</u>	<u>226,431</u>	<u>3,880,340</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	200	200
Restricted:				
Debt service	-	956,564	-	956,564
Capital improvements	-	-	1,414,815	1,414,815
Classroom facilities maintenance	-	-	142,168	142,168
Non-public schools	-	-	39,336	39,336
Targeted academic assistance	-	-	6,276	6,276
Other purposes	-	-	26,817	26,817
Extracurricular	-	-	22,810	22,810
Assigned:				
Student instruction	38,478	-	-	38,478
Student and staff support	72,948	-	-	72,948
Extracurricular activities	4,088	-	-	4,088
Other purposes	-	-	20,977	20,977
Unassigned (deficit)	1,694,855	-	(65,120)	1,629,735
Total fund balances	<u>1,810,369</u>	<u>956,564</u>	<u>1,608,279</u>	<u>4,375,212</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,631,673</u>	<u>\$ 1,687,662</u>	<u>\$ 2,048,915</u>	<u>\$ 9,368,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	4,375,212
<i>Amounts reported for governmental activities on 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.			23,126,147
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	24,713	
Income taxes receivable		87,297	
Intergovernmental receivable		55,058	
Total		167,068	167,068
Unamortized premiums on bonds issued are not recognized in the funds.			(1,832,647)
Unamortized amounts on refundings are not recognized in the funds.			1,370,760
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(214,952)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(14,593,890)	
Compensated absences		(862,296)	
Total		(15,456,186)	(15,456,186)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds.			
Deferred outflows - Pension		2,881,544	
Deferred Inflows - Pension		(58,942)	
Net pension liability		(15,534,758)	
Total		(12,712,156)	(12,712,156)
Net position (deficit) of governmental activities		\$	(1,176,754)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,014,794	\$ 802,789	\$ 252,268	\$ 4,069,851
Income taxes	1,304,390	-	-	1,304,390
Tuition	571,357	-	-	571,357
Earnings on investments	18,680	-	6,380	25,060
Charges for services	-	-	136,286	136,286
Extracurricular	109,867	-	115,913	225,780
Classroom materials and fees	2,845	-	-	2,845
Rental income	1,234	-	-	1,234
Contributions and donations	2,561	-	85,179	87,740
Other local revenues	49,832	-	4,304	54,136
Intergovernmental - state	3,613,509	110,335	343,141	4,066,985
Intergovernmental - federal	39,296	-	669,200	708,496
Total revenues	<u>8,728,365</u>	<u>913,124</u>	<u>1,612,671</u>	<u>11,254,160</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,813,182	-	8,700	3,821,882
Special	575,788	-	409,995	985,783
Vocational	75,733	-	-	75,733
Other	446,228	-	-	446,228
Support services:				
Pupil	432,362	-	2,000	434,362
Instructional staff	545,184	-	90,484	635,668
Board of education	7,742	-	-	7,742
Administration	725,569	-	44,000	769,569
Fiscal	276,380	17,014	4,549	297,943
Operations and maintenance	801,310	-	31,727	833,037
Pupil transportation	355,291	-	87,659	442,950
Central	11,944	-	4,411	16,355
Operation of non-instructional services:				
Other non-instructional services	-	-	277,477	277,477
Food service operations	-	-	247,978	247,978
Extracurricular activities	265,993	-	102,606	368,599
Facilities acquisition and construction	284	-	179,207	179,491
Debt service:				
Principal retirement	-	300,000	47,000	347,000
Interest and fiscal charges	-	493,176	17,213	510,389
Bond issuance costs	-	235,712	-	235,712
Total expenditures	<u>8,332,990</u>	<u>1,045,902</u>	<u>1,555,006</u>	<u>10,933,898</u>
Net change in fund balances	<u>395,375</u>	<u>(132,778)</u>	<u>57,665</u>	<u>320,262</u>
Other financing sources (uses):				
Premium on bonds	-	1,838,457	-	1,838,457
Sale of bonds	-	12,490,000	-	12,490,000
Sale of assets	-	-	185,505	185,505
Payment to refunding bond escrow agent	-	(14,089,154)	-	(14,089,154)
Total other financing sources (uses)	<u>-</u>	<u>239,303</u>	<u>185,505</u>	<u>424,808</u>
Net change in fund balances	395,375	106,525	243,170	745,070
Fund balances at beginning of year	<u>1,414,994</u>	<u>850,039</u>	<u>1,365,109</u>	<u>3,630,142</u>
Fund balances at end of year	<u>\$ 1,810,369</u>	<u>\$ 956,564</u>	<u>\$ 1,608,279</u>	<u>\$ 4,375,212</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	745,070
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 214,716	
Current year depreciation	(776,479)	
Total		(561,763)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(2,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(16,005)	
Income taxes	87,297	
Intergovernmental	(63,626)	
Total		7,666
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		347,000
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(12,490,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	12,490,000	
Premiums refunded	188,130	
Deferred charges on refundings	1,411,024	
Total		14,089,154
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(1,838,457)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	43,211	
Accreted interest on capital appreciation bonds	(13,890)	
Amortization of deferred charges	(40,265)	
Amortization of bond premiums	57,828	
Total		46,884
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 governmental funds.		
		(51,771)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		734,570
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,243,334)
Change in net position of governmental activities	\$	(217,481)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,955,400	\$ 2,955,400	\$ 3,032,894	\$ 77,494
Income taxes	1,240,000	1,240,000	1,287,237	47,237
Tuition	493,000	493,000	571,357	78,357
Earnings on investments	5,000	5,000	18,217	13,217
Classroom materials and fees	2,000	2,000	2,845	845
Rental income	2,000	2,000	1,234	(766)
Contributions and donations	1,000	1,000	17,826	16,826
Other local revenues	48,000	48,000	49,832	1,832
Intergovernmental - state	3,721,200	3,721,200	3,589,476	(131,724)
Intergovernmental - federal	35,000	35,000	39,296	4,296
Total revenues	<u>8,502,600</u>	<u>8,502,600</u>	<u>8,610,214</u>	<u>107,614</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,878,953	3,878,953	3,833,327	45,626
Special	661,517	661,517	614,416	47,101
Vocational	85,375	85,375	77,237	8,138
Other	456,500	456,500	446,256	10,244
Support services:				
Pupil	321,710	321,710	319,042	2,668
Instructional staff	584,658	584,658	540,341	44,317
Board of education	23,366	23,366	8,230	15,136
Administration	791,748	791,748	720,869	70,879
Fiscal	297,165	297,165	287,812	9,353
Operations and maintenance	893,342	893,342	836,724	56,618
Pupil transportation	417,215	417,215	365,929	51,286
Central	36,520	36,520	11,865	24,655
Extracurricular activities	270,606	270,606	292,293	(21,687)
Facilities acquisition and construction	2,000	2,000	284	1,716
Total expenditures	<u>8,720,675</u>	<u>8,720,675</u>	<u>8,354,625</u>	<u>366,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(218,075)</u>	<u>(218,075)</u>	<u>255,589</u>	<u>473,664</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	27,557	27,557
Advances in	100,000	100,000	137,303	37,303
Advances (out)	(52,000)	(52,000)	(70,000)	(18,000)
Total other financing sources (uses)	<u>48,000</u>	<u>48,000</u>	<u>94,860</u>	<u>46,860</u>
Net change in fund balance	(170,075)	(170,075)	350,449	520,524
Fund balance at beginning of year	1,340,048	1,340,048	1,340,048	-
Prior year encumbrances appropriated	133,824	133,824	133,824	-
Fund balance at end of year	<u>\$ 1,303,797</u>	<u>\$ 1,303,797</u>	<u>\$ 1,824,321</u>	<u>\$ 520,524</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 122,929
	\$ 122,929
Total assets.	\$ 122,929
Liabilities:	
Accounts payable.	\$ 8,138
Pension obligation payable.	8
Loan payable	1,346
Due to students.	113,437
	113,437
Total liabilities	\$ 122,929

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Dalton Local School District, Wayne County, Ohio, (the "District") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for providing public education to residents of the District.

Enrollment in the District as of June 30, 2017 was 855 students. The District employed 65 certified employees and 60 non-certified employees.

The District's management believes the financial statements included in this report represent all of the funds over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

The Tri-County Computer Services Association

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 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 for member districts. Each of the governments of these districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a Board of Directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the treasurer at the Tri-County Educational Service Center which serves as the fiscal agent located in Wooster, Ohio. During the year ended June 30, 2017, the District paid \$49,287 to TCCSA for basic service charges.

PUBLIC ENTITY RISK POOLS

The Stark County Schools Council of Governments Health Care Benefit Program

The Stark County Schools Council of Governments Health Care Benefit Program (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating member (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

INSURANCE POOLS

Workers' Compensation Group Rating Program

The Ohio Schools Council Association (the "Council") is a Council of Governments comprised of one-hundred-fifty-seven member school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used for the retirement of serial bonds and short-term notes and loans.

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

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund used to account for student activities.

C. Basis of Presentation and Measurement Focus

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes (See Note 7), grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes 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 of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2017 is as follows:

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2017.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation for all funds must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original and final appropriated amounts. All supplemental appropriations were legally enacted by the Board.

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as part of restricted, committed, or assigned fund balance.

F. Cash and Investments

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

During fiscal year 2017, investments were limited to the State Treasury Asset Reserve of Ohio (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 District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 \$18,680, which includes \$8,408 assigned from other District funds.

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

An analysis of the District's investment account at year end is provided in Note 4.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

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

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

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

H. Capital Assets

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District's capitalization threshold is \$2,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	8 - 35 years
Vehicles	15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net position. Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental financial statements.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term 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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability in the fund financial statements when due.

L. Fund Balance

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

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

M. Net Position

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Estimates

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

O. Interfund Activity

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

P. 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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

R. Bond Issuance Costs, Unamortized Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of the bonds and the amount reported on the statement of net position is presented in Note 10.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 18); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service operations	\$ 38,304
IDEA Part-B	18,497
Title I	8,319

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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$2,100 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$33,800. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, all of the District's bank balance of \$149,918 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>Investment Maturity</u> 6 months or less
Amortized cost:		
STAR Ohio	<u>\$ 4,642,243</u>	<u>\$ 4,642,243</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District's investments in STAR Ohio are valued at the daily redemption value as reported by the underlying fund (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

The District's policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Investment/Measurement type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	<u>\$ 4,642,243</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 33,800
Investments	4,642,243
Cash on hand	<u>2,100</u>
Total	<u>\$ 4,678,143</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 4,555,214
Agency fund	<u>122,929</u>
Total	<u>\$ 4,678,143</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Payable

Interfund balances for the year ended June 30, 2017, consisted of the following interfund loans receivable/payable:

<u>Receivable fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 50,000</u>

The primary purpose of the interfund balances is to cover cost in the specific nonmajor governmental funds where revenues were not received by June 30. These interfund balances are expected to be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

B. Loans Payable

Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General fund	Agency fund	<u>\$ 1,346</u>

C. Due To / Due From Other Funds

Interfund balances at June 30, 2017 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 32,263</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2017 are reported on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wayne County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$160,000 in the general fund, \$43,000 in the bond retirement fund, \$10,000 in the permanent improvement fund (a nonmajor governmental fund), and \$3,000 in the classroom facilities fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$178,100 in the general fund, \$49,900 in the bond retirement fund, \$11,300 in the permanent improvement fund, and \$4,000 in the classroom facilities fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 159,410,140	97.18	\$ 158,664,230	97.01
Public utility personal	<u>4,629,620</u>	<u>2.82</u>	<u>4,892,320</u>	<u>2.99</u>
Total	<u>\$ 164,039,760</u>	<u>100.00</u>	<u>\$ 163,556,550</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$45.70		\$49.70

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7- INCOME TAXES

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005 and will continue for an indefinite period of time. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2017, \$1,304,390 of income tax revenue was credited to the general fund.

NOTE 8 – RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:

Taxes	\$ 4,530,618
Accrued interest	1,462
Intergovernmental	<u>191,672</u>
Total	<u>\$ 4,723,752</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/17</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 755,864	\$ -	\$ (2,500)	\$ 753,364
Construction in progress	-	8,001	-	8,001
Total capital assets, not being depreciated	<u>755,864</u>	<u>8,001</u>	<u>(2,500)</u>	<u>761,365</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,804,179	81,400	-	1,885,579
Buildings and improvements	23,677,580	35,985	-	23,713,565
Furniture and equipment	834,311	10,787	-	845,098
Vehicles	861,799	78,543	(57,193)	883,149
Total capital assets, being depreciated	<u>27,177,869</u>	<u>206,715</u>	<u>(57,193)</u>	<u>27,327,391</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(411,389)	(82,645)	-	(494,034)
Buildings and improvements	(2,892,436)	(590,155)	-	(3,482,591)
Furniture and equipment	(350,148)	(65,036)	-	(415,184)
Vehicles	(589,350)	(38,643)	57,193	(570,800)
Total accumulated depreciation	<u>(4,243,323)</u>	<u>(776,479)</u>	<u>57,193</u>	<u>(4,962,609)</u>
Governmental activities capital assets, net	<u>\$ 23,690,410</u>	<u>\$ (561,763)</u>	<u>\$ (2,500)</u>	<u>\$ 23,126,147</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 94,428
Special	8,715
Vocational	653
Other	3,867
<u>Support services:</u>	
Pupil	3,801
Instructional staff	10,405
Board of education	70
Administration	6,705
Fiscal	6,876
Operations and maintenance	594,446
Pupil transportation	23,865
Extracurricular activities	17,968
Operation of non-instructional	2,561
Food Service operations	<u>2,119</u>
Total depreciation expense	<u>\$ 776,479</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2017, the following activity occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/17</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>2011 Series Issue:</u>					
School improvement bonds	\$ 14,320,000	\$ -	\$ (12,790,000)	\$ 1,530,000	\$ 350,000
<u>2012 Series Issue:</u>					
Energy conservation bonds	607,000	-	(47,000)	560,000	49,000
<u>2016 Series Refunding Bonds:</u>					
Current Interest Bonds	-	8,310,000	-	8,310,000	80,000
Capital Appreciation Bonds	-	80,000	-	80,000	-
Accreted Interest	-	10,626	-	10,626	-
<u>2017 Series Refunding Bonds:</u>					
Current Interest Bonds	-	4,065,000	-	4,065,000	90,000
Capital Appreciation Bonds	-	35,000	-	35,000	-
Accreted Interest	-	3,264	-	3,264	-
Net Pension Liability	12,687,321	2,847,437	-	15,534,758	-
Compensated absences	<u>833,291</u>	<u>111,815</u>	<u>(82,810)</u>	<u>862,296</u>	<u>18,326</u>
Total long-term obligations, governmental activities	<u>\$ 28,447,612</u>	<u>\$ 15,463,142</u>	<u>\$ (12,919,810)</u>	30,990,944	<u>\$ 587,326</u>
			Add: Unamortized Premium	<u>1,832,647</u>	
				<u>\$ 32,823,591</u>	

Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

B. Classroom Facilities and School Improvement Bonds

On September 20, 2011, the District issued general obligation bonds (school improvement bonds - series 2011) in order to fund the local share of the Ohio Schools Facilities Commission (OSFC) project. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. The bonds will be paid from the bond retirement fund. The source of payment is derived from the District's property tax bond levy.

The issue is comprised of current interest bonds, par value \$14,750,000. The interest rates on the current interest bonds range from 2.00% to 5.00%.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Interest payments on the current interest bonds are due on February 1 and August 1 of each year. The final stated maturity of the current interest bonds is August 1, 2039.

At June 30, 2017, \$239,550 of proceeds from this bond issue are unspent.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 350,000	\$ 38,776	\$ 388,776
2019	375,000	28,838	403,838
2020	395,000	18,225	413,225
2021	410,000	6,150	416,150
Total	<u>\$ 1,530,000</u>	<u>\$ 91,989</u>	<u>\$ 1,621,989</u>

C. Energy Conservation Bonds - Series 2012

In August 2012, the District issued \$788,336 in energy conservation bonds. The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 2.95%, mature on December 1, 2026 and will be paid from the permanent improvement fund (a nonmajor governmental fund).

Principal and interest requirements to retire the energy conservation bonds are as follows:

Fiscal Year Ended	Energy Conservation Bonds		
	Principal	Interest	Total
2018	\$ 49,000	\$ 15,797	\$ 64,797
2019	50,000	14,327	64,327
2020	52,000	12,833	64,833
2021	53,000	11,284	64,284
2022	55,000	9,691	64,691
2023 - 2027	<u>301,000</u>	<u>22,730</u>	<u>323,730</u>
Total	<u>\$ 560,000</u>	<u>\$ 86,662</u>	<u>\$ 646,662</u>

D. School Improvement Refunding Bonds – Series 2016

On November 22, 2016, the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2016) to advance refund \$8,390,000 of the series 2011 school improvement general obligation bonds.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$8,310,000 and capital appreciation bonds, par value \$80,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2026 (interest rate 16.443%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$370,000. Total accreted interest of \$10,626 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2039.

The reacquisition price exceeded the net carrying amount of the old debt by \$1,042,026. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 23 years by \$756,271 and resulted in a net present value economic gain of \$597,665.

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 80,000	\$ 324,200	\$ 404,200
2019	25,000	323,150	348,150
2020	25,000	322,650	347,650
2021	25,000	322,150	347,150
2022	25,000	321,650	346,650
2023 - 2027	280,000	1,598,300	1,878,300
2028 - 2032	1,360,000	1,512,000	2,872,000
2033 - 2037	3,820,000	928,200	4,748,200
2038 - 2040	2,670,000	163,000	2,833,000
Total	<u>\$ 8,310,000</u>	<u>\$ 5,815,300</u>	<u>\$ 14,125,300</u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Fiscal Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023 - 2027	80,000	290,000	370,000
2028 - 2032	-	-	-
2033 - 2037	-	-	-
2038 - 2040	-	-	-
Total	<u>\$ 80,000</u>	<u>\$ 290,000</u>	<u>\$ 370,000</u>

E. School Improvement Refunding Bonds – Series 2017

On February 16, 2017 the District issued general obligation bonds (School Improvement Refunding Bonds, Series 2017) to advance refund \$4,100,000 of the series 2011 school improvement general obligation bonds.

The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$4,065,000 and capital appreciation bonds, par value \$35,000. The interest rates on the current interest bonds range from 2.0% to 4.0%. The capital appreciation bonds mature annually on August 1, 2023 (interest rate 16.933%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$100,000. Total accreted interest of \$3,264 has been included on the statement of net position. Interest payments of the current interest bonds are due on February 1 and August 1 of each year. The final maturity date stated on the issue is August 1, 2029.

The reacquisition price exceeded the net carrying amount of the old debt by \$368,998. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 13 years by \$289,975 and resulted in a net present value economic gain of \$241,896.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the long-term bonds are as follows:

Fiscal Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2018	\$ 90,000	\$ 152,913	\$ 242,913
2019	5,000	158,650	163,650
2020	5,000	158,550	163,550
2021	5,000	158,450	163,450
2022	440,000	149,600	589,600
2023 - 2027	1,835,000	489,300	2,324,300
2028 - 2030	1,685,000	102,700	1,787,700
Total	<u>\$ 4,065,000</u>	<u>\$ 1,370,163</u>	<u>\$ 5,435,163</u>

Fiscal Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023 - 2027	35,000	65,000	100,000
2028 - 2030	-	-	-
Total	<u>\$ 35,000</u>	<u>\$ 65,000</u>	<u>\$ 100,000</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$1,656,654, including available funds of \$956,564 and an unvoted debt margin of \$163,557. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The 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 District has contracted with Argonaut Insurance Group to provide coverage in the following amounts:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$1,000,000	\$ 0
Annual aggregate	3,000,000	0
Commercial excess liability:		
Each occurrence	5,000,000	0
Annual aggregate	5,000,000	0
Crime coverage		
Theft, Disappearance, Destruction	50,000	500
Public Employee Dishonesty	100,000	1,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist & Underinsured	1,000,000	0
Comprehensive and Collision	1,000,000	500
Building and contents	36,135,098	2,500

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

B. Medical and Dental Insurance

During fiscal year 2017, the District was a member of the Stark County Schools Council of Governments Health Care Benefit Program (Council), a shared risk pool (See Note 2.A.) to provide employees with medical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2017, the District participated in the Ohio Schools Council Association (the "Council") Workers' Compensation Group Rating Plan (GRP), a jointly governed organization. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniComp provides administrative cost control and actuarial services to the Council.

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$173,189 for fiscal year 2017. Of this amount, \$12,263 is reported as pension and postemployment benefits payable.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$561,381 for fiscal year 2017. Of this amount, \$96,992 is reported as pension and postemployment benefits 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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04144680%	0.03734956%	
Proportion of the net pension liability current measurement date	<u>0.04054600%</u>	<u>0.03754417%</u>	
Change in proportionate share	<u>-0.00090080%</u>	<u>0.00019461%</u>	
Proportionate share of the net pension liability	\$ 2,967,593	\$ 12,567,165	\$ 15,534,758
Pension expense	\$ 278,073	\$ 965,261	\$ 1,243,334

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the 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	\$ 40,027	\$ 507,773	\$ 547,800
Net difference between projected and actual earnings on pension plan investments	244,784	1,043,413	1,288,197
Changes of assumptions	198,103	-	198,103
Difference between District contributions and proportionate share of contributions/ change in proportionate share	-	112,874	112,874
District contributions subsequent to the measurement date	<u>173,189</u>	<u>561,381</u>	<u>734,570</u>
Total deferred outflows of resources	<u><u>\$ 656,103</u></u>	<u><u>\$ 2,225,441</u></u>	<u><u>\$ 2,881,544</u></u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>\$ 58,942</u>	<u>\$ -</u>	<u>\$ 58,942</u>
Total deferred inflows of resources	<u><u>\$ 58,942</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,942</u></u>

\$734,570 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ 97,052	\$ 279,458	\$ 376,510
2019	96,878	279,460	376,338
2020	159,676	679,841	839,517
2021	<u>70,366</u>	<u>425,301</u>	<u>495,667</u>
Total	<u><u>\$ 423,972</u></u>	<u><u>\$ 1,664,060</u></u>	<u><u>\$ 2,088,032</u></u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,928,908	\$ 2,967,593	\$ 2,162,932

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
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, which include the real rate of return and inflation of 2.50% 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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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 from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 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%)
District's proportionate share of the net pension liability	\$ 16,700,742	\$ 12,567,165	\$ 9,080,250

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 District's NPL is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit 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 District's surcharge obligation was \$19,536.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$19,536, \$19,725, and \$30,368, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 350,449
Net adjustment for revenue accruals	5,723
Net adjustment for expenditure accruals	36,608
Net adjustment for other sources/uses	(94,860)
Funds budgeted elsewhere	(17,925)
Adjustment for encumbrances	115,380
GAAP basis	\$ 395,375

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. Effective for fiscal year 2017, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As a result of the fiscal year 2017 reviews, the District is due \$28,467 from ODE. This amount has not been included in the financial statements.

NOTE 16 - SET-ASIDES

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

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

	Capital <u>Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	157,325
Current year qualifying expenditures	(414,677)
Current year offsets	<u>-</u>
Total	<u>\$ (257,352)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u><u>\$ -</u></u>

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 – SET-ASIDES - (Continued)

Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 129,913
Nonmajor governmental funds	<u>460,025</u>
 Total	 <u>\$ 589,938</u>

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Wayne County provides tax abatements through Enterprise Zones (Ezone).

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the “Agreement”) with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business’s property tax bill.

The Ezone agreement entered into by Wayne County affects the property tax receipts collected and distributed to the District. There was an Ezone agreement with TOOP LLC & P. Graham Dunn, Inc. that affected the District. Under the agreement, the District property taxes were reduced by \$2,758.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK.

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04054600%	0.04144680%	0.04224400%	0.04224400%
District's proportionate share of the net pension liability	\$ 2,967,593	\$ 2,364,995	\$ 2,137,945	\$ 2,512,115
District's covered-employee payroll	\$ 1,260,079	\$ 1,247,762	\$ 1,227,511	\$ 1,163,743
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	235.51%	189.54%	174.17%	215.87%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03754417%	0.03734956%	0.03698384%	0.03698384%
District's proportionate share of the net pension liability	\$ 12,567,165	\$ 10,322,326	\$ 8,995,750	\$ 10,715,678
District's covered-employee payroll	\$ 3,959,686	\$ 3,955,571	\$ 3,778,731	\$ 3,661,146
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	317.38%	260.96%	238.06%	292.69%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 173,189	\$ 176,411	\$ 164,455	\$ 170,133
Contributions in relation to the contractually required contribution	<u>(173,189)</u>	<u>(176,411)</u>	<u>(164,455)</u>	<u>(170,133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,237,064	\$ 1,260,079	\$ 1,247,762	\$ 1,227,511
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 161,062	\$ 162,304	\$ 158,508	\$ 173,831	\$ 126,016	\$ 119,587
<u>(161,062)</u>	<u>(162,304)</u>	<u>(158,508)</u>	<u>(173,831)</u>	<u>(126,016)</u>	<u>(119,587)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,163,743	\$ 1,206,721	\$ 1,261,002	\$ 1,283,833	\$ 1,280,650	\$ 1,217,790
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 561,381	\$ 554,356	\$ 553,780	\$ 491,235
Contributions in relation to the contractually required contribution	<u>(561,381)</u>	<u>(554,356)</u>	<u>(553,780)</u>	<u>(491,235)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,009,864	\$ 3,959,686	\$ 3,955,571	\$ 3,778,731
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 475,949	\$ 497,748	\$ 515,734	\$ 523,830	\$ 512,857	\$ 503,824
<u>(475,949)</u>	<u>(497,748)</u>	<u>(515,734)</u>	<u>(523,830)</u>	<u>(512,857)</u>	<u>(503,824)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,661,146	\$ 3,828,831	\$ 3,967,185	\$ 4,029,462	\$ 3,945,054	\$ 3,875,569
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**DALTON LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(SEE ACCOUNTANT'S COMPILATION REPORT)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financials for the methods and assumptions in this calculation.

OHIO AUDITOR OF STATE KEITH FABER



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

Dalton Local School District
Wayne County
177 North Mill Street
Dalton, Ohio 44618

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 Dalton Local School District, Wayne County, Ohio, (the District) as of and for the years ended June 30, 2018 and 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 January 30, 2019, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

January 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER



DALTON LOCAL SCHOOL DISTRICT

WAYNE 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 5, 2019**