FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY
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INDEPENDENT AUDITOR'S REPORT

Franklin Local School District
Muskingum County
360 Cedar Street
P.O. Box 428
Duncan Falls, Ohio 43734

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2018, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Also, as discussed in Note 24 to the financial statements, on December 13, 2018, the Franklin Local Community School's Board of Directors, the District's component unit, approved their portion of a joint resolution with the District to permanently close, as a community school, at the end of the 2018-2019 school year and transfer the school's program and assets to the District.

We did not modify our opinion regarding these matters.

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 Postemployment Benefit Liabilities and Pension and Other Postemployment 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.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

February 21, 2019

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows**:**

- Net position of governmental activities increased $12,399,413.
- General revenues accounted for $23,481,224 in revenues or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants, contributions, and interest accounted for $4,962,404 or 17 percent of total revenues of $28,443,628.
- The School District had $16,044,215 in expenses related to governmental activities; only $4,962,404 of these expenses were offset by program specific charges for services and sales, operating and capital grants, contributions, and interest. General revenues of $23,481,224 were adequate to provide for these programs.

Using this Annual Financial Report

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 Franklin Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

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

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's 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, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 13. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

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

The School District as a Whole

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

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	$24,397,315	$25,091,126	($693,811)
Capital Assets	29,537,630	29,793,554	(255,924)
Total Assets	53,934,945	54,884,680	(949,735)
Deferred Outflows of Resources			
Deferred Charge on Refunding	160,761	187,451	(26,690)
Pension	7,603,558	6,577,485	1,026,073
OPEB	306,773	54,435	252,338
Total Deferred Outflows of Resources	8,071,092	6,819,371	1,251,721
Liabilities			
Current and Other Liabilities	3,570,757	3,277,839	292,918
Long Term Liabilities:			
Due Within One Year	624,573	600,145	24,428
Due in More Than One Year:			
Net Pension Liability	25,984,641	36,868,875	(10,884,234)
Net OPEB Liability	5,999,260	7,555,723	(1,556,463)
Other Amounts	3,747,917	4,265,831	(517,914)
Total Liabilities	39,927,148	52,568,413	(12,641,265)
Deferred Inflows of Resources			
Property Taxes	4,671,363	6,577,182	(1,905,819)
Pension	2,707,274	1,139,090	1,568,184
OPEB	881,473	0	881,473
Total Deferred Inflows of Resources	8,260,110	7,716,272	543,838
Net Position			
Net Investment in Capital Assets	26,962,045	26,901,891	60,154
Restricted	3,130,061	2,962,111	167,950
Unrestricted (Deficits)	(16,273,327)	(28,444,636)	12,171,309
Total Net Position	$13,818,779	$1,419,366	$12,399,413

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *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 School District's proportionate share of each plan's collective:

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

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

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

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

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

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $8,920,654 to $1,419,366.

Total assets of governmental activities decreased $949,735. The majority of this decrease was due to a decrease in cash and cash equivalents of $1,361,036, a decrease in capital assets of $255,924, and a decrease in intergovernmental receivable of $92,506. Capital assets decreased as a result of current year depreciation exceeding additions. The decrease in intergovernmental receivable is due to a lower amount of State Foundation Adjustments and due to the timing of receipts for the grants compared to the prior fiscal year. These decreases were offset by an increase in property taxes receivable of $729,192, an increase in due to component unit of $18,078, and an increase in accounts receivable of $14,558. The increase in property taxes receivable was due to an increase in the amounts certified to be collected by the individual county auditors.

Current and other liabilities increased $292,918. The majority of this increase is was due to an increase in contracts payable of $248,672, an increase in intergovernmental payable of $100,946, and an increase in accrued wages and benefits payable of $77,754. The increase in contracts payable is due to the roof replacement on the Roseville building and the construction of a new athletic building. The increase in intergovernmental payable is due to an increase in the amount of State Foundation adjustments after June 30, 2018, compared to the prior year. The increase in accrued wages and benefits were a result of wage increases combined with an increased cost of insurance. These increases were offset by a decrease in claims payable of $129,516. The decrease in claims payable was due to the actuarial figure provided for fiscal year end 2018 being less than what was provided for fiscal year end 2017.

Long-term liabilities decreased $12,934,183 primarily due to decreases in the net pension liability and the net OPEB liability.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018, and comparisons to fiscal year 2017.

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	$1,795,072	$2,087,019	($291,947)
Operating Grants, Contributions and Interest	3,126,032	3,133,925	(7,893)
Capital Grants and Contributions	41,300	41,300	0
Total Program Revenues	4,962,404	5,262,244	(299,840)
General Revenues:			
Property Taxes	10,624,269	5,515,311	5,108,958
Grants and Entitlements	12,743,731	12,587,124	156,607
Investment Earnings	82,400	19,629	62,771
Miscellaneous	30,824	87,715	(56,891)
Total General Revenues	23,481,224	18,209,779	5,271,445
Total Revenues	28,443,628	23,472,023	4,971,605
Program Expenses			
Instruction:			
Regular	5,752,757	13,107,908	(7,355,151)
Special	1,641,506	3,084,342	(1,442,836)
Vocational	45,009	106,541	(61,532)
Intervention	44,190	296,759	(252,569)
Support Services:			
Pupils	441,348	805,867	(364,519)
Instructional Staff	563,042	829,584	(266,542)
Board of Education	125,511	92,181	33,330
Administration	905,101	1,980,450	(1,075,349)
Fiscal	475,252	510,230	(34,978)
Operation and Maintenance of Plant	2,432,542	2,396,692	35,850
Pupil Transportation	1,564,963	1,685,418	(120,455)
Central	123,149	140,502	(17,353)
Operation of Non-Instructional Services:			
Food Service Operations	1,298,768	1,424,019	(125,251)
Other	9,080	25,898	(16,818)
Extracurricular Activities	500,051	805,635	(305,584)
Interest and Fiscal Charges	121,946	117,013	4,933
Total Expenses	16,044,215	27,409,039	(11,364,824)
Increase (Decrease) in Net Position	12,399,413	(3,937,016)	16,336,429
Net Position Beginning of Year	1,419,366	N/A	
Net Position End of Year	$13,818,779	$1,419,366	$12,399,413

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 $54,435 computed under GASB 45. GASB 45 required recognizing pension 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 $859,857. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$16,044,215
Negative OPEB expense under GASB 75	859,857
2018 contractually required contribution	67,471
Adjusted 2018 program expenses	16,971,543
Total 2017 program expenses under GASB 45	27,409,039
Decrease in program expenses not related to OPEB	($10,437,496)

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 14) As a result of these changes, pension expense decreased from $2,570,800 in fiscal year 2017 to a negative pension expense of $8,579,331 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	($5,525,547)
Special	(1,135,435)
Vocational	(50,659)
Intervention	(162,672)
Support Services:	
Pupils	(337,227)
Instructional Staff	(149,362)
Administration	(810,688)
Fiscal	(17,104)
Operation and Maintenance of Plant	(63,093)
Pupil Transportation	(69,647)
Central	(8,263)
Operation of Non-Instructional Services:	
Food Service Operations	(40,292)
Extracurricular Activities	(209,342)
Total Expenses	($8,579,331)

Net position increased by $12,399,413. Overall revenues reflect an increase of $4,971,605 primarily due to an increase in property taxes in of $5,108,958 due mainly to the change in collection dates. In fiscal year 2018, 37 percent of the School District's revenues were from property taxes, and 45 percent were from unrestricted grants and entitlements.

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue.

Instruction comprises approximately 47 percent of governmental program expenses. Of the instructional expenses approximately 77 percent is for regular instruction, approximately 22 percent is for special instruction, and approximately 1 percent is for vocational instruction and student intervention services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program Expenses				
Instruction:				
Regular	$5,752,757	$3,514,091	$13,107,908	$10,559,406
Special	1,641,506	468,595	3,084,342	2,003,103
Vocational	45,009	5,126	106,541	66,737
Intervention	44,190	40,364	296,759	294,717
Support Services:				
Pupils	441,348	441,348	805,867	805,867
Instructional Staff	563,042	512,756	829,584	775,006
Board of Education	125,511	125,511	92,181	92,181
Administration	905,101	905,101	1,980,450	1,975,066
Fiscal	475,252	475,252	510,230	510,230
Operation and Maintenance of Plant	2,432,542	2,432,542	2,396,692	2,396,692
Pupil Transportation	1,564,963	1,539,076	1,685,418	1,660,795
Central	123,149	114,149	140,502	131,502
Operation of Non-Instructional Services:				
Food Service Operations	1,298,768	159,778	1,424,019	266,261
Other	9,080	536	25,898	21,023
Extracurricular Activities	500,051	225,640	805,635	471,196
Interest and Fiscal Charges	121,946	121,946	117,013	117,013
Total	$16,044,215	$11,081,811	$27,409,039	$22,146,795

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2018, approximately 69 percent of instruction activities were supported through taxes and other general revenues.

The School District's Major Fund

The School District's major fund (the General Fund) in accounted for using the modified accrual basis of accounting.

The General Fund had total revenues of $23,801,029, expenditures of $21,323,484, and net other financing sources (uses) of ($503,241) which resulted in a increase in fund balance of $1,974,304. Total revenues increased by $4,188,511 as a result of an increase in the amount available for real estate taxes due to a change in timing of the real estate collections. In addition, total expenditures increased $288,800.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its General Fund budget within line items. The School District uses a building budget technique which is designed to control building budgets but provide flexibility for building management.

The General Fund had original and final revenue budget estimates of $22,028,985. Actual revenues were $21,827,365 and other financing sources were $235,000 at June 30, 2018.

Original and final appropriations were $23,422,368. Actual spending during the fiscal year in almost all categories was lower than budgeted appropriations.

The School District's ending General Fund balance was $6,171,758.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had $29,537,630 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 4
Capital Assets, Net of Depreciation

	Governmental Activities	
	2018	2017
Land	$1,122,451	$1,122,451
Construction in Progress	429,229	0
Land Improvements	2,547,390	2,383,223
Buildings and Improvements	23,197,683	24,353,370
Furntiure and Equipment	914,502	862,716
Vehicles	1,326,375	1,071,794
Totals	$29,537,630	$29,793,554

See Note 11 to the basic financial statements for more information on capital assets.

Debt

At June 30, 2018, the School District had $2,650,573 in notes and bonds outstanding (including premiums and accretion).

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2018	2017
2013 General Obligation Notes	$114,860	$151,691
2012 School Building Construction Refunding Bonds	2,085,713	2,153,139
2015 School Building Construction Refunding Bonds	450,000	895,000
Totals	$2,650,573	$3,199,830

See Notes 16 to the basic financial statements for more information on debt. The net pension liability under GASB 68 and the net OPEB liability under GASB 75 are also reported as a long-term obligation that has been previously disclosed within the management's discussion and analysis.

Economic Factors

Over the past 20 years, the School District has remained in a stable financial position and has increased its cash balance carry-over. Approximately 95 percent of the School District is in Muskingum County and the remaining 5 percent is in Perry County. Muskingum County last completed a property valuation reappraisal in calendar year 2012 and a triennial update in 2015. The 2012 reappraisal and the 2015 triennial update resulted in no significant changes in total housing/agricultural values. A natural gas distribution pipeline and compressor stations were constructed within the School District. An additional compressor station and a small portion of a new pipeline was constructed within the School District and completed in 2017 and 2018, respectively. The School District saw decreases in open enrollment and overall enrollment flatten in fiscal year 2018. The funding formula for fiscal year 2016, 2017, 2018, and 2019 resulted in no additional funding for the School District. The Board of Education and administration of the School District must maintain prudent financial management in order to preserve financial stability.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Scott Paul, Treasurer/CFO at Franklin Local School District, P.O. Box 428, Duncan Falls, Ohio 43734 or E-Mail at scott.paul@franklinlocalschools.org.

Franklin Local School District, Ohio
Statement of Net Position
June 30, 2018

	Primary Government	Component Unit
	Governmental Activities	Franklin Local Community School
Assets		
Equity in Pooled Cash and Cash Equivalents	$13,603,795	$279,842
Cash in Segregated Accounts	487	0
Materials and Supplies Inventory	19,965	0
Inventory Held for Resale	13,224	0
Intergovernmental Receivable	770,831	47,138
Prepaid Items	116,112	3,481
Accrued Interest Receivable	20,969	3,723
Accounts Receivable	39,717	0
Due from Component Unit	93,670	0
Property Taxes Receivable	9,718,545	0
Nondepreciable Capital Assets	1,551,680	0
Depreciable Capital Assets, Net	27,985,950	22,800
Total Assets	53,934,945	356,984
Deferred Outflows of Resources		
Deferred Charge on Refunding	160,761	0
Pension	7,603,558	0
OPEB	306,773	0
Total Deferred Outflows of Resources	8,071,092	0
Liabilities		
Accounts Payable	134,158	88
Accrued Wages and Benefits Payable	2,393,081	0
Contracts Payable	248,672	0
Retainage Payable	11,166	0
Due to Primary Government	0	93,670
Vacation Benefits Payable	54,283	0
Intergovernmental Payable	551,246	65
Accrued Interest Payable	4,778	0
Claims Payable	173,373	0
Long-Term Liabilities:		
Due Within One Year	624,573	0
Due In More Than One Year:		
Net Pension Liability (See Note 14)	25,984,641	0
Net OPEB Liability (See Note 15)	5,999,260	0
Other Amounts Due in More Than One Year	3,747,917	0
Total Liabilities	39,927,148	93,823
Deferred Inflows of Resources		
Property Taxes	4,671,363	0
Pension	2,707,274	0
OPEB	881,473	0
Total Deferred Inflows of Resources	8,260,110	0
Net Position		
Net Investment in Capital Assets	26,962,045	22,800
Restricted for:		
Classroom Facilities Maintenance	1,064,934	0
Debt Service	845,263	0
Capital Projects	860,214	0
Federal Grant Programs	309,249	0
District Managed Student Activities	47,829	0
Unclaimed Monies	2,572	0
Unrestricted (Deficit)	(16,273,327)	240,361
Total Net Position	$13,818,779	$263,161

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Franklin Local Community School
Governmental Activities						
Instruction:						
Regular	$5,752,757	$1,209,508	$1,029,158	$0	($3,514,091)	$0
Special	1,641,506	0	1,172,911	0	(468,595)	0
Vocational	45,009	0	39,883	0	(5,126)	0
Intervention	44,190	0	3,826	0	(40,364)	0
Support Services:						
Pupils	441,348	0	0	0	(441,348)	0
Instructional Staff	563,042	41,103	9,183	0	(512,756)	0
Board of Education	125,511	0	0	0	(125,511)	0
Administration	905,101	0	0	0	(905,101)	0
Fiscal	475,252	0	0	0	(475,252)	0
Operation and Maintenance of Plant	2,432,542	0	0	0	(2,432,542)	0
Pupil Transportation	1,564,963	0	25,887	0	(1,539,076)	0
Central	123,149	0	9,000	0	(114,149)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,298,768	324,532	814,458	0	(159,778)	0
Other	9,080	0	8,544	0	(536)	0
Extracurricular Activities	500,051	219,929	13,182	41,300	(225,640)	0
Interest and Fiscal Charges	121,946	0	0	0	(121,946)	0
Total Primary Government	$16,044,215	$1,795,072	$3,126,032	$41,300	(11,081,811)	0
Component Unit						
Franklin Local Community School	$745,838	$0	$607,632	$0	0	(138,206)
		General Revenues				
		Property Taxes Levied for:				
		General Purposes			9,127,083	0
		Debt Service			522,703	0
		Capital Outlay			815,350	0
		Classroom Facilities Maintenance			159,133	0
		Operating Grants and Entitlements not Restricted to Specific Programs			12,743,731	0
		Investment Earnings			82,400	3,021
		Miscellaneous			30,824	2,331
		Total General Revenues			23,481,224	5,352
		Change in Net Position			12,399,413	(132,854)
		Net Position Beginning of Year (Restated - See Note 3)			1,419,366	396,015
		Net Position End of Year			$13,818,779	$263,161

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	$7,628,429	$5,136,121	$12,764,550
Cash in Segregated Accounts	0	487	487
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	2,572	0	2,572
Receivables:			
Property Taxes	8,361,096	1,357,449	9,718,545
Accounts	35,686	4,031	39,717
Intergovernmental	200,256	570,575	770,831
Interfund	177,357	0	177,357
Accrued Interest	20,845	124	20,969
Due from Component Unit	93,670	0	93,670
Prepaid Items	116,112	0	116,112
Materials and Supplies Inventory	15,481	4,484	19,965
Inventory Held for Resale	0	13,224	13,224
Total Assets	$16,651,504	$7,086,495	$23,737,999
Liabilities			
Accounts Payable	$79,128	$55,030	$134,158
Interfund Payable	0	177,357	177,357
Accrued Wages and Benefits Payable	2,131,342	261,739	2,393,081
Contracts Payable	0	248,672	248,672
Retainage Payable	0	11,166	11,166
Intergovernmental Payable	504,136	47,110	551,246
Total Liabilities	2,714,606	801,074	3,515,680
Deferred Inflows of Resources			
Property Taxes	4,054,647	616,716	4,671,363
Unavailable Revenue	1,528,171	612,448	2,140,619
Total Deferred Inflows of Resources	5,582,818	1,229,164	6,811,982
Fund Balances			
Nonspendable	134,165	4,484	138,649
Restricted	0	2,373,885	2,373,885
Committed	982,800	2,150,138	3,132,938
Assigned	5,021,867	654,570	5,676,437
Unassigned (Deficit)	2,215,248	(126,820)	2,088,428
Total Fund Balances	8,354,080	5,056,257	13,410,337
Total Liabilities , Deferred Inflows of Resources and Fund Balances	$16,651,504	$7,086,495	$23,737,999

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

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

Total Governmental Fund Balances		$13,410,337
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,537,630
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	1,707,282	
Intergovernmental	336,544	
Student Fees	18,469	
Interest	14,929	
Miscellaneous	63,395	2,140,619
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.		663,300
Vacation benefits payable is recognized for earned vacation benefits that are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(54,283)
Deferred outflows of resources representing deferred charges on refundings do not provide current financial resources and therefore are not reported in the funds.		160,761
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued Interest Payable	(4,778)	
Energy Conservation Notes Payable	(114,860)	
School Improvement Bonds Payable	(2,535,713)	
Sick Leave Benefits Payable	(1,721,917)	(4,377,268)
The net pension liability and net OPEB are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	7,603,558	
Deferred Inflows - Pension	(2,707,274)	
Net Pension Liability	(25,984,641)	
Deferred Outflows - OPEB	306,773	
Deferred Inflows - OPEB	(881,473)	
Net OPEB Liability	(5,999,260)	(27,662,317)
Net Position of Governmental Activities		$13,818,779

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$8,973,750	$1,428,598	$10,402,348
Intergovernmental	13,505,074	2,390,456	15,895,530
Investment Earnings	80,457	73	80,530
Charges for Services and Sales	0	324,532	324,532
Tuition and Fees	1,206,283	41,989	1,248,272
Gifts and Donations	1,541	52,971	54,512
Extracurricular Activities	17,302	202,627	219,929
Miscellaneous	16,622	0	16,622
Total Revenues	23,801,029	4,441,246	28,242,275
Expenditures			
Current:			
Instruction:			
Regular	11,493,863	261,940	11,755,803
Special	1,728,059	1,141,806	2,869,865
Vocational	96,343	0	96,343
Intervention	244,523	4,300	248,823
Support Services:			
Pupils	821,558	0	821,558
Instructional Staff	591,207	38,397	629,604
Board of Education	125,511	0	125,511
Administration	1,819,585	0	1,819,585
Fiscal	480,611	21,539	502,150
Operation and Maintenance of Plant	1,793,366	263,192	2,056,558
Pupil Transportation	1,455,319	0	1,455,319
Central	127,826	9,000	136,826
Operation of Non-Instructional Services:			
Food Service Operations	91,318	1,106,575	1,197,893
Other	0	9,080	9,080
Extracurricular Activities	454,395	212,317	666,712
Capital Outlay	0	2,227,257	2,227,257
Debt Service:			
Principal Retirement	0	586,831	586,831
Interest and Fiscal Charges	0	58,324	58,324
Total Expenditures	21,323,484	5,940,558	27,264,042
Excess of Revenues Over(Under) Expenditures	2,477,545	(1,499,312)	978,233
Other Financing Sources (Use)			
Transfers In	0	520,941	520,941
Proceeds from Sale of Capital Assets	17,700	0	17,700
Transfers Out	(520,941)	0	(520,941)
Total Other Financing Sources (Use)	(503,241)	520,941	17,700
Net Change in Fund Balance	1,974,304	(978,371)	995,933
Fund Balances Beginning of Year	6,379,776	6,034,628	12,414,404
Fund Balances End of Year	$8,354,080	$5,056,257	$13,410,337

See accompanying notes to the basic financial statements

Franklin Local School District, 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		$995,933
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay:		
Capital Asset Additions	1,933,438	
Depreciation Expense	(2,163,599)	(230,161)
Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds from the sale of capital assets and the loss on disposal of capital assets:		
Loss on Disposal of Capital Assets	(8,063)	
Proceeds from the sale of capital assets	(17,700)	(25,763)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Taxes	221,921	
Intergovernmental	(39,087)	
Student Fees	2,339	
Interest	1,978	
Miscellaneous	14,202	201,353
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	36,831	
Construction Refunding Bonds	550,000	586,831
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:		
Accrued Interest Payable	642	
Amortization of Serial Premium	15,775	
Amortization of Deferred Amount on Refunding	(26,690)	
Annual Accretion	(53,349)	(63,622)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		(270,388)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Vacation Benefits Payable	(8,450)	
Sick Leave Benefits Payable	(55,771)	(64,221)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,762,792	
OPEB	67,471	1,830,263
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	8,579,331	
OPEB	859,857	9,439,188
Change in Net Position of Governmental Activities		$12,399,413

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$6,898,793	$6,898,793	$6,915,776	$16,983
Intergovernmental	13,373,752	13,373,752	13,589,300	215,548
Investment Earnings	109,112	109,112	111,584	2,472
Charges for Services	40,000	40,000	0	(40,000)
Tuition and Fees	1,443,722	1,443,722	1,206,283	(237,439)
Gifts and Donations	0	0	100	100
Miscellaneous	3,606	3,606	4,322	716
Total Revenues	21,868,985	21,868,985	21,827,365	(41,620)
Expenditures				
Current:				
Instruction:				
Regular	11,477,473	11,477,473	11,365,579	111,894
Special	1,756,867	1,756,867	1,753,860	3,007
Vocational	100,652	100,652	96,440	4,212
Intervention	290,950	290,950	249,919	41,031
Support Services:				
Pupils	765,873	765,873	801,296	(35,423)
Instructional Staff	561,084	561,084	588,949	(27,865)
Board of Education	104,232	104,232	118,804	(14,572)
Administration	1,830,823	1,830,823	1,817,955	12,868
Fiscal	535,380	535,380	482,996	52,384
Operation and Maintenance of Plant	2,059,899	2,059,899	1,817,092	242,807
Pupil Transportation	1,416,720	1,416,720	1,433,086	(16,366)
Central	124,272	124,272	127,665	(3,393)
Operation of Non-Instructional Services:				
Food Service Operations	105,300	105,300	86,758	18,542
Extracurricular Activities	489,694	489,694	415,699	73,995
Capital Outlay	57,239	57,239	0	57,239
Total Expenditures	21,676,458	21,676,458	21,156,098	520,360
Excess of Revenues Over Expenditures	192,527	192,527	671,267	478,740
Other Financing Sources (Uses)				
Advances In	160,000	160,000	235,000	75,000
Refund of Prior Year Receipts	(573)	(573)	0	573
Advances Out	(160,000)	(160,000)	(235,000)	(75,000)
Transfers Out	(1,585,337)	(1,585,337)	(520,941)	1,064,396
Total Other Financing Sources (Uses)	(1,585,910)	(1,585,910)	(520,941)	1,064,969
Net Change in Fund Balance	(1,393,383)	(1,393,383)	150,326	1,543,709
Fund Balance Beginning of Year	5,959,666	5,959,666	5,959,666	0
Prior Year Encumbrances Appropriated	61,766	61,766	61,766	0
Fund Balance End of Year	$4,628,049	$4,628,049	$6,171,758	$1,543,709

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Fund Net Position

Internal Service Fund

June 30, 2018

	Medical-Dental Insurance
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$836,673
Current Liabilities	
Claims Payable	173,373
Net Position	
Unrestricted	$663,300

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Medical-Dental Insurance
Operating Revenues	
Charges for Services	$3,494,686
Operating Expenses	
Purchased Services	540,015
Claims	3,225,059
Total Operating Expenses	3,765,074
Operating Loss	(270,388)
Net Position Beginning of Year	933,688
Net Position End of Year	$663,300

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2018

	Medical-Dental Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	$3,494,686
Cash Payments to Suppliers for Services	(540,015)
Cash Payments for Claims	(3,354,575)
Net Decrease in Cash and Cash Equivalents	(399,904)
Cash and Cash Equivalents Beginning of Year	1,236,577
Cash and Cash Equivalents End of Year	$836,673
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($270,388)
Changes in Liabilities	
Decrease in Claims Payable	(129,516)
Net Cash Used for Operating Activities	($399,904)

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2018

	Private Purpose Trust Pletcher Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	$16,553	$37,023
Accrued Interest Receivable	25	0
Total Assets	16,578	$37,023
Liabilities		
Intergovernmental Payable	0	$450
Due to Students	0	36,573
Total Liabilities	0	$37,023
Net Position		
Endowments	14,000	
Held in Trust for Scholarships	2,578	
Total Net Position	$16,578	

See accompanying notes to the basic financial statements

Franklin Local School District, Ohio

Statement of Changes in Net Position

Private Purpose Trust Fund

For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust Pletcher Scholarship
Additions	
Interest	$85
Net Position Beginning of Year	16,493
Net Position End of Year	$16,578

See accompanying notes to the basic financial statements

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1827 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 210 square miles. It is located in Muskingum and Perry Counties, and includes the Villages of Philo and Roseville, the Townships of Salt Creek, Blue Rock, Brush Creek, Clay, Harrison, Meigs, and Wayne, and a portion of Rich Hill Township. The School District is staffed by 99 classified employees, 148 certificated full-time teaching personnel, and 15 administrative employees who provide services to 2,010 students and other community members. The School District currently operates five instructional buildings (beginning in fiscal year 2012, the Roseville instructional building only housed students of the Franklin Local Community School and preschool classes), one administrative building, and one garage.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has one component unit, the Franklin Local Community School.

The component unit column on the Statement of Net Position and the Statement of Activities identifies the financial data of the School District’s Component Unit, the Franklin Local Community School (FLCS). It is reported separately to emphasize that it is legally separate from the School District.

The FLCS is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The FLCS is governed by a five member Board of Directors who are appointed from the public by the School District. These Board members are public officials, public employees, or community leaders demonstrating a professional interest in education or in other issues involving children, and desires to further the objectives of the FLCS. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of FLCS and the children it serves. The School District appoints the Board and is able to impose its will on the FLCS; therefore, due to the relationship with the School District, it would be misleading to exclude. The School District can suspend the FLCS' operations for any of the following reasons: 1) The FLCS' failure to meet student performance requirements stated in its contract with the School District, 2) The FLCS' failure to meet generally accepted standards of fiscal managements, 3) The FLCS' violation of any provisions of the contract with the School District or applicable state or federal law or 4) Other good cause. Separately issued financial statements can be obtained from the Franklin Local Community School, P.O. Box 428, Duncan Falls, Ohio 43734.

The School District participates in five jointly governed organizations and four insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments, Mid-East Career and Technology Center, Coalition of Rural and Appalachian Schools, the Metropolitan Educational Technology Association, Ohio Coalition of Equity and Adequacy of School Funding, Ohio School Boards Association Workers' Compensation Group Rating Program, Schools of Ohio Risk Sharing Authority (SORSA), Ohio School Boards Association Insurance Trust, and the Ohio School Benefits Cooperative. These organizations are presented in Notes 18 and 19 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

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

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by the School District can be classified using three categories: governmental, proprietary, and fiduciary.

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 liabilities is reported as fund balance. The following is the description of the School District's major governmental fund:

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

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

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund:

> ***Internal Service Fund*** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, surgical, prescription drug, and dental claims.

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension, and OPEB plans. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans, 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 on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, grants, student fees, interest, and miscellaneous. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

Unearned Revenue Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Self-Insurance Fund reports unearned revenue for premiums received from the paying funds prior to the fiscal year the premiums are due.

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. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except a portion of the private purpose trust fund and amounts in the flexible spending agency fund, are maintained in this pool. Individual fund integrity is maintained through School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2018, investments were limited to federal agency securities and negotiable certificates of deposit. Investments in federal agency securities and negotiable certificates of deposit are reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $80,457, which includes $33,409 assigned from other School District funds.

The School District has a segregated bank account for the athletic account special revenue fund that is held separate from the School District's central bank account. This depository account is presented as "Cash in Segregated Accounts" since it is not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expense when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year.) Donated fixed assets are recorded at their acquisition value as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the 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.

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:

Description	Estimated Lives
Land Improvements	10-30 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-20 years
Vehicles	3-10 years

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets reported on the balance sheet represent unclaimed monies.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances are to be used by employees in the fiscal year following the fiscal year earned.

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

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

M. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

N. Fund Balance

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

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal year 2019's appropriated budget.

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

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

O. Bond Premiums and Discounts

On government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond discounts and premiums are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts on the capital appreciation bonds are accreted over the term of the bonds. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

On the government fund financial statements, bond premiums and bond discounts are recognized in the period in which bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

P. Net Position

Net position represents the difference between assets and liabilities. 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. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Q. Deferred Charge on Refunding

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

S. 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.

T. Estimates

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

U. Budgetary Process

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

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

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

V. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net position.

Note 3 - Changes in Accounting Principles and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$8,920,654
Adjustments:	
Net OPEB Liability	(7,555,723)
Deferred Outflow - Payments Subsequent to Measurement Date	54,435
Restated Net Position June 30, 2017	$1,419,366

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

Note 4 - Accountability

The following fund had a deficit fund balances as of June 30, 2018:

Special Revenue Funds:	
Title IDEA-B	($58,984)
Title I	(58,919)
Title II-A	(8,917)

The deficit in the special revenue funds was the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending.

Note 5 - Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Prepaids	$116,112	$0	$116,112
Materials and Supplies Inventory	15,481	4,484	19,965
Unclaimed Monies	2,572	0	2,572
Total Nonspendable	134,165	4,484	138,649
Restricted for:			
Food Service Operations	0	5,856	5,856
Classroom Facilities Maintenance	0	1,035,137	1,035,137
Debt Service	0	749,224	749,224
Capital Projects	0	533,539	533,539
Federal Grant Programs	0	2,300	2,300
District Managed Student Activities	0	47,829	47,829
Total Restricted	0	2,373,885	2,373,885
Committed to:			
Scholarships	0	18,526	18,526
After School Programs	0	18,882	18,882
Capital Improvements	0	2,112,730	2,112,730
Severance Payments	982,800	0	982,800
Total Committed	982,800	2,150,138	3,132,938
Assigned to:			
Capital Improvements	0	654,570	654,570
Public School Support	186,124	0	186,124
Purchases on Order	31,268	0	31,268
Assigned to Subsequent Year's Appropriations	4,804,475	0	4,804,475
Total Assigned	5,021,867	654,570	5,676,437
Unassigned:	2,215,248	(126,820)	2,088,428
Total Fund Balances	$8,354,080	$5,056,257	$13,410,337

Note 6 - Budgetary Basis of Accounting

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

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

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

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

4. Prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

5. Advances in and advances out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

6. Unreported cash, fair market value changes and negative cash advances to other funds are reported on the "Statement of Revenues, Expenditures, and Changes in Fund Balance (GAAP Basis), but not on budgetary basis."

7. Certain funds are accounted for as separate funds internally with legally adopted budgets (budget basis) that do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Net Change in Fund Balance

GAAP Basis	$1,974,304
Net Adjustment for Revenue Accruals	(2,012,272)
Prepaid Items:	
Beginning of Fiscal Year	122,828
End of Fiscal Year	(116,112)
Unreported Cash:	
Beginning of Fiscal Year	347,986
End of Fiscal Year	(365,765)
Fair Market Value:	
Beginning of Fiscal Year	(64,804)
End of Fiscal Year	121,714
Negative cash advance to other funds	2,000
Net Adjustment for Expenditure Accruals	118,102
Advances In	235,000
Advances Out	(235,000)
To reclassify excess of revenues and other sources of financial resources over expenditures and other uses of financial resources into financial statement fund types.	71,270
Adjustment for Encumbrances	(48,925)
Budget Basis	$150,326

Note 7 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands upon the School District treasury.

Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

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

3. Written repurchase agreements in the securities listed above provided 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 the term of the agreement must not exceed thirty days.

4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specific 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.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2018, $2,043,323 of the School District's total bank balance of $6,162,627 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities specifically pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value. As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level Two Inputs				
Federal Home Loan Mortgage Corporation Notes	$3,694,559	Less than five years	AA+	50.08%
Negotiable Certificates of Deposit	1,976,017	Less than 1 year	N/A	26.78%
Negotiable Certificates of Deposit	1,706,839	More than 1 year	N/A	23.14%
Total Investments	$7,377,415			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. Investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 Inputs)

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The negotiable certificates of deposit are unrated. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District places no limit on the amount it may invest in any one issuer.

Note 8 - Property Taxes

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

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

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

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

Accrued property taxes receivable includes real property and public utility property taxes which were 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 were levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2018, was $3,339,900 and is recognized as revenue: $2,867,335 in the General Fund, $49,830 in the Classroom Facilities Maintenance Special Revenue Fund, $158,850 in the Debt Service Fund, and $263,885 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2017, was $926,810 and is recognized as revenue: $809,361 in the General Fund, $15,048 in the Classroom Facilities Maintenance Special Revenue Fund, $73,013 in the Debt Service Fund, and $29,388 in the Permanent Improvement Capital Projects Fund.

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

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	$190,702,440	62.72%	$192,727,820	63.29%
Public Utility Personal	113,373,510	37.28%	111,785,580	36.71%
Total	$304,075,950	100.00%	$304,513,400	100.00%
Tax Rate per $1,000 of assessed valuation	$36.30		$35.80	

The decrease in the tax rates was due to an adjustment in the bond levy rates. Tax rates are adjusted according to the amount needed for the retirement of debt service.

Note 9 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accrued interest, accounts (charges for servies, student fees, and intergovernmental), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The delinquent property taxes amounted to $1,707,282 as of June 30, 2018.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
School Lunch Reimbursement	$8,206
Early Childhood Education	24,000
Idea Part B	85,853
Title I	361,997
Medicare	3,183
Rural and Low Income	52,005
State Foundation Adjustment	107,907
Title II-A	29,051
Title IV-A	941
School Employees Retirement System Refund	63,395
Ohio Bureau of Workers Compensation Refund	33,419
Miscellaneous Reimbursements	874
Total	$770,831

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2018, consist of the following individual fund receivables and payables:

	Interfund Payable	Interfund Receivable
Governmental Funds:		
General Fund	$0	$177,357
Other Nonmajor Governmental Funds:		
Early Childhood Education	12,000	0
Network Connectivity	9,000	0
Title IDEA-B	45,000	0
Title I	55,000	0
Title II-A	25,000	0
Miscellaneous Federal Grants	31,357	0
Total Other Nonmajor Governmental Funds	177,357	0
Total All Funds	$177,357	$177,357

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds.

B. Transfers

The School District transferred $20,941 from the General Fund to the Permanent Improvement Capital Project Fund and $500,000 to other various capital project funds for the purchase of computer equipment, textbooks, and various construction projects for the School District.

Note 11 - Capital Assets

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

	Balance 6/30/2017	Additions	Retirements	Balance 6/30/2018
Capital Assets:				
Capital Assets not being depreciated:				
Land	$1,122,451	$0	$0	$1,122,451
Construction in Progress	0	429,229	0	429,229
Total Capital Assets not being Depreciated	1,122,451	429,229	0	1,551,680
Depreciable Capital Assets:				
Land Improvements	4,060,567	372,245	0	4,432,812
Buildings and Improvements	48,316,929	489,572	(102,425)	48,704,076
Furniture and Equipment	2,748,747	169,932	(7,081)	2,911,598
Vehicles	2,413,991	472,460	(305,976)	2,580,475
Total Capital Assets being Depreciated	57,540,234	1,504,209	(415,482)	58,628,961
Less Accumulated Depreciation				
Land Improvements	(1,677,344)	(208,078)	0	(1,885,422)
Buildings and Improvements	(23,963,559)	(1,619,496)	76,662	(25,506,393)
Furniture and Equipment	(1,886,031)	(118,146)	7,081	(1,997,096)
Vehicles	(1,342,197)	(217,879)	305,976	(1,254,100)
Total Accumulated Depreciation	(28,869,131)	(2,163,599) *	389,719	(30,643,011)
Total Capital Assets being Depreciated, Net	28,671,103	(659,390)	(25,763)	27,985,950
Capital Assets, Net	$29,793,554	($230,161)	($25,763)	$29,537,630

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$984,798
Special	166,136
Vocational	13,845
Support Services:	
Pupils	48,456
Instructional Staff	131,909
Administration	127,593
Fiscal	4,384
Operation and Maintenance of Plant	181,962
Pupil Transportation	216,207
Food Service Operations	169,272
Extracurricular Activities	119,037
Total Depreciation Expense	$2,163,599

Note 12 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted with Schools for Ohio Risk Sharing Authority for the insurance shown as follows.

Property and Inland Marine – replacement cost ($1,000 deductible)	$87,358,385
Automobile Liability (No deductible)	15,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	15,000,000
Total per year	17,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in fiscal year 2017.

B. Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

Medical/prescription drug/surgical and dental insurance are offered to employees through a self-insurance internal service fund. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The medical coverage premiums are $621.39 monthly for single and $1,697.85 monthly for family. The dental coverage premiums are $46.93 monthly for single and $90.42 for family. The claims liability of $173,373 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The School District purchases an aggregate stop-loss coverage policy in the amount of $4,237,971 annually. In addition, the School District has contracted for an excess stop-loss coverage with a maximum allowable covered expense per individual of $100,000 annually.

Changes in the fund's claims liability amount in fiscal years 2017 and 2018 were:

	Balance at Beginning of Fiscal Year	Current Year Claims	Claim Payments	Balance at End of Fiscal Year
2017	$195,874	$2,951,327	$2,844,312	$302,889
2018	302,889	3,225,059	3,354,575	173,373

Note 13 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. The liability for vacation benefits is recorded as vacation benefits payable, rather than long-term liabilities, as the balances earned by employees on their anniversary hire date must be used within one year.

Teachers earn sick leave at the rate of one day per month. Administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for teachers and administrators and 225 days classified employees. Upon retirement, certified personnel receive $100 per day of accrued, but unused sick leave credit to a maximum of 250 days. Classified personnel receive payment for forty-two percent of accrued, but unused sick leave credit up to a maximum of 225 days. In addition, classified employees with a 225 sick leave balance at the beginning of the fiscal year is entitled to one day of severance for every four days unused of the fifteen days earned, up to a max of three days per year.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through The Lincoln National Life Insurance Company.

Note 14 - Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

A. Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was $427,424 for fiscal year 2018. Of this amount $41,069 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 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 is 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 goes 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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was $1,335,368 for fiscal year 2018. Of this amount $221,888 is reported as an intergovernmental payable.

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

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

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.09691620%	0.08895376%	
Proportion of the Net Pension Liability Current Measurement Date	0.09958300%	0.08433844%	
Change in Proportionate Share	0.00266680%	-0.00461532%	
Proportionate Share of the Net Pension Liability	$5,949,864	$20,034,777	$25,984,641
Pension Expense	($294,505)	($8,284,826)	($8,579,331)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$256,062	$773,649	$1,029,711
Changes of assumptions	307,672	4,381,826	4,689,498
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	121,557	0	121,557
School District contributions subsequent to the measurement date	427,424	1,335,368	1,762,792
Total Deferred Outflows of Resources	$1,112,715	$6,490,843	$7,603,558
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$161,472	$161,472
Net difference between projected and actual earnings on pension plan investments	$28,243	$661,171	$689,414
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	$135,879	$1,720,509	$1,856,388
Total Deferred Inflows of Resources	$164,122	$2,543,152	$2,707,274

$1,762,792 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$180,583	$352,698	$533,281
2020	356,342	1,252,120	1,608,462
2021	122,946	929,561	1,052,507
2022	(138,702)	77,944	(60,758)
Total	$521,169	$2,612,323	$3,133,492

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	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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 disable members were 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 by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$8,256,865	$5,949,864	$4,017,280

Actuarial Assumptions - STRS

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.

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

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

* 10 year annualized geometric nominal returns, which include th
real rate of return and inflation of 2.25 percent and does not incluc
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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$28,719,171	$20,034,777	$12,719,477

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System / State Teachers Retirement System. As of June 30, 2018, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability.

Plan Description - School Employees Retirement System (SERS)

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

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

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 School District's surcharge obligation was $51,640.

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 School District's contractually required contribution to SERS was $67,471 for fiscal year 2018. Of this amount $53,161 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.09817860%	0.08895376%	
Proportion of the Net OPEB Liability Current Measurement Date	0.10092960%	0.08433844%	
Change in Proportionate Share	0.00275100%	-0.00461532%	
Proportionate Share of the Net OPEB Liability	$2,708,685	$3,290,575	$5,999,260
OPEB Expense	$179,510	($1,039,367)	($859,857)

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$189,952	$189,952
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	49,350	0	49,350
School District contributions subsequent to the measurement date	67,471	0	67,471
Total Deferred Outflows of Resources	$116,821	$189,952	$306,773
Deferred Inflows of Resources			
Changes of assumptions	$257,040	$265,066	$522,106
Net difference between projected and actual earnings on OPEB plan investments	7,153	140,647	147,800
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	$0	$211,567	$211,567
Total Deferred Inflows of Resources	$264,193	$617,280	$881,473

$67,471 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows 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	($77,038)	($82,942)	($159,980)
2020	(77,038)	(82,942)	(159,980)
2021	(58,979)	(82,942)	(141,921)
2022	(1,788)	(82,943)	(84,731)
2023	0	(47,780)	(47,780)
Thereafter	0	(47,779)	(47,779)
Total	($214,843)	($427,328)	($642,171)

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.

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.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

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 School 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%)
School District's proportionate share of the net OPEB liability	$3,271,082	$2,708,685	$2,263,123

	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 %)
School District's proportionate share of the net OPEB liability	$2,197,895	$2,708,685	$3,384,725

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.

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.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

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

Sensitivity of the School 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%)
School District's proportionate share of the net OPEB liability	$4,417,544	$3,290,575	$2,399,901

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	$2,286,150	$3,290,575	$4,612,515

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/17	Additions	Reductions	Principal Outstanding 6/30/18	Amounts Due in One Year
2013 2.95-3.70% General Obligation Notes	$151,691	$0	$36,831	$114,860	$37,523
2012 School Building Construction Refunding Bonds:					
Serial Bonds - 1.0%-2.0%	220,000	0	105,000	115,000	115,000
Term Bonds - 2.35%-3.0%	1,545,000	0	0	1,545,000	0
Premium on Bonds	227,423	0	15,775	211,648	0
Original Issue of Capital Appreciation Bonds - 28.74-32.98%	40,000	0	0	40,000	0
Accretion on Capital Appreciation Bonds	120,716	53,349	0	174,065	0
2015 School Building Construction Refunding Bonds:					
Serial Bonds - 1.34%	895,000	0	445,000	450,000	450,000
Total Bonds	3,048,139	53,349	565,775	2,535,713	565,000
Net Pension Liability:					
STRS	29,775,504	0	9,740,727	20,034,777	0
SERS	7,093,371	0	1,143,507	5,949,864	0
Total Net Pension Liability	36,868,875	0	10,884,234	25,984,641	0
Net OPEB Liability:					
STRS	4,757,270	0	1,466,695	3,290,575	0
SERS	2,798,453	0	89,768	2,708,685	0
Total Net OPEB Liability	7,555,723	0	1,556,463	5,999,260	0
Sick Leave Benefits Payable	1,666,146	68,984	13,213	1,721,917	22,050
Total Governmental Activities Long-Term Liabilities	$49,290,574	$122,333	$13,056,516	$36,356,391	$624,573

Sick leave benefits are paid from the fund from which the employees' salaries are paid, which includes the General Fund and Lunchroom Special Revenue Funds. There is no repayment schedule for the net pension liability and net OPEB liability. However, employee pension contributions are made from the following funds: the General Fund and the Latchkey, Athletic and Music, Title IDEA-B Grant, Title I Grant, Title II-A Grant, and Food Service Special Revenue Funds. For additional information related to the net pension liability and net OPEB liability, see Note 14 and 15.

On May 1, 2013, the School District was approved for general obligation notes of $290,000 for installing a synthetic turf playing surface for athletic purposes for the School District under the authority of Ohio Revised Code section 133. The note was issued for an eight year period with final maturity during fiscal year 2021. The debt will be retired through five year pledge donations to be collected from residents of the School District. Through an agreement with the local bank where the proceeds are drawn, the School District made draws on the note as progress on the project was made. The following schedule shows the principal and interest requirements to retire the full amount of the debt:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$37,523	$4,383	$41,906
2020	38,922	2,983	41,905
2021	38,415	1,515	39,930
Total	$114,860	$8,881	$123,741

On March 24, 2009, Financial Guaranty Insurance Company (FGIC), the bond insurer for several current debt issues, was downgraded by Moody's Investor Services from Caa1 to Caa3 and Moody's will withdraw ratings. This downgrade came after Moody's had previously downgraded FGIC from B1 to Caa1 on December 19, 2008; from Baa3 to B1 on June 20, 2008; from A3 to Baa3 on March 31, 2008; and from Aaa to A3 on February 14, 2008.

The downgrade of a bond insurer may not, in and by itself, create an immediate default under the bond indentures or other bond documents or cause any reallocation of rights or responsibilities among parties; however, it will likely have an adverse effect on the value of the bonds as they are traded in the secondary market.

The School District was notified of four of these downgrades by their bond counsel and on March 10, 2009, filed a Material Event Notice with Disclosure USA referencing to the relevant transactions and rating downgrades which had occurred by that date. The School District's bond rating by Moody's on July 24, 2012, was Aa2.

On July 24, 2012, the School District issued refunding bonds of $2,060,000 consisting of $475,000 in serial bonds, $40,000 in capital appreciation bonds, and $1,545,000 in term bonds. The refunding bonds will mature on December 1, 2031. These bonds were issued to advance refund some of the 2004 School Building Construction Term Bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $216,787. This difference, reported in the accompanying financial statements as a deferred outflow of resources deferred charge on refunding, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2018 was $11,213. At the date of the refunding, $2,289,117 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2004 bonds. On December 1, 2014, the refunded bonds were called and paid in full and the irrevocable trust account was closed.

The current interest term bonds due December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2022	$135,000

The remaining principal amount of such current interest term bonds ($140,000) will be paid at stated maturity on December 1, 2023.

The current interest term bonds due December 1, 2025, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2024	$145,000

The remaining principal amount of such current interest term bonds ($150,000) will be paid at stated maturity on December 1, 2025.

The current interest term bonds due December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2026	$155,000

The remaining principal amount of such current interest term bonds ($155,000) will be paid at stated maturity on December 1, 2027.

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

Date	Principal Amount To Be Redeemed
2028	$160,000

The remaining principal amount of such current interest term bonds ($160,000) will be paid at stated maturity on December 1, 2029.

The current interest term bonds due December 1, 2031, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Date	Principal Amount To Be Redeemed
2030	$170,000

The remaining principal amount of such current interest term bonds ($175,000) will be paid at stated maturity on December 1, 2031.

The current interest term bonds maturing after December 1, 2021, are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after June 1 2022, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds will mature in fiscal year 2022. The maturity amount of the bonds is $460,000. For the fiscal year 2018, $53,349 was accreted for a total bond value of $214,065.

On March 5, 2015, the School District issued School Building Construction Refunding Bonds consisting of $1,455,000 in serial bonds. The refunding bonds will mature on December 1, 2018. These bonds were issued to current refund the remaining balance of the 2004 School Building Construction Refunding Bonds in the amount of $1,285,000 and to current refund the remaining balance of the 2004 School Building Construction Bonds of $170,000. The current refunded portion of the bonds, as well as the unamortized deferred outflow of resources deferred charge on refunding of $84,116, the unamortized premiums in the amount of $51,489, and the unamortized discount in the amount of $1,765, were removed from the financial statements of the School District. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $61,908. This difference, reported in the accompanying financial statements as a deferred outflow of resources deferred charge on refunding, is being amortized to interest expense over the life of the refunded bonds using the straight-line method. The amortization of this difference for 2018 was $15,477. At the date of the refunding, $1,482,516 (including underwriter fees and other issuance costs) was deposited in an escrow account to provide for all future debt service payments on the refunded bonds. The refunded bonds matured and were paid in full on April 20, 2015, and the account was closed.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, were as follows:

Fiscal Year	Serial		Capital Appreciation		Term	
Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest
2019	$565,000	$45,920	$0	$0	$0	$0
2020	0	0	15,000	125,000	0	26,755
2021	0	0	15,000	125,000	0	26,755
2022	0	0	10,000	130,000	0	31,755
2023	0	0	0	0	135,000	39,730
2024-2028	0	0	0	0	745,000	141,291
2029-2032	0	0	0	0	665,000	39,407
	$565,000	$45,920	$40,000	$380,000	$1,545,000	$305,693

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

The overall debt margin of the School District as of June 30, 2018, was $25,819,097, with an unvoted debt margin of $303,719.

Note 17 - Significant Commitments

A. Encumbrances

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

General Fund	$48,925
Nonmajor Governmental Funds	1,638,728
Agency Funds	3,956
Total	$1,691,609

B. Contractual Commitments

As of June 30, 2018, the School District had contractual purchase commitments for the following projects:

Project	Fund	Purchase Commitments	Paid as of 06/30/2018	Remaining on Contracts
New Roof on Roseville Building	Classroom Facilities Maintenance	$332,424	$167,417	$165,007
New Athletic Building	Permanent Improvement	837,000	189,121	647,879
		$1,169,424	$356,538	$812,886

Note 18 - Jointly Governed Organizations

A. Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council). The Council was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the total amount paid to OME-RESA from the School District was $58,032 for technology services and financial accounting services and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

B. Mid-East Career and Technology Center

The Mid-East Career and Technology Center is a jointly governed organization providing vocational services to its thirteen member school districts. The Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one member from each of the participating school district's boards. The board possesses its own budgeting and taxing authority. The continued existence of the Career and Technology Center is not dependent on the School District's continued participation. To obtain financial information write to the Mid-East Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2018, the School District made a payment of $325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at 322 McCracken Hall, Ohio University, Athens, Ohio 45701.

D. Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formerly the Metropolitan Educational Council (MEC), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2018, the School District made no contributions to META. Financial information can be obtained from David Varda, CFO, Metropolitan Educational Technology Association at 2100 Citygate Drive, Columbus, Ohio 43219.

E. Ohio Coalition of Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized to challenge the constitutionally of the Ohio school funding system. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The Committee exercised total control over the operations of the Coalition including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts, joint vocational schools, and educational service centers pay annual dues and supplemental dues based on their pupil enrollment. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2018, the School District paid $1,036 to the Coalition. The fiscal agent for the Coalition is the Muskingum Valley Educational Service Center. Financial information may be obtained from the Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

Note 19 - Insurance Purchasing Pools

A. Ohio School Boards Association Workers' Compensation Group Rating Program

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance purchasing pool under the authority of the Ohio Revised Code 2744. One hundred six school districts, educational service centers, and joint vocational school districts participate in the SORSA. SORSA is governed by a body elected by members. Members agree to jointly participate in coverages of losses and pay all contributions necessary for the specified insurance coverage's provided by SORSA. These coverage's include comprehensive general liability, automobile liability, certain property insurance, and public officials errors and omissions liability insurance.

C. Ohio School Boards Association Insurance Trust

The School District participates in the Ohio School Boards Association (OSBA) Insurance Trust, an insurance purchasing pool. The OSBA Insurance Trust helps its members purchase life insurance at a discounted rate. The organization is composed of 11 members, which includes school districts and educational service centers. The governing board of the OSBA Insurance Trust is composed of a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program.

D. Ohio School Benefits Cooperative

The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of more than fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees.

Participants pay an initial $500 membership fee to OSBC. OSBC offers two options to participants. Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. Medical Mutual/Antares is the Administrator of the OSBC. During fiscal year 2018, the School District elected to participate in the self-insured joint insurance program for medical, prescription drug, dental, and vision coverage.

Note 20 - Related Party Transactions

During fiscal year 2018, the School District provided educational management information systems coordinating services and other administrative services to the FLCS in the amount of $762,604. These services were not totally paid to the School District by June 30, 2018; therefore, the statement of net position shows a receivable to the School District from the FLCS for $93,670.

Note 21 - Set-asides

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

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 Improvements Reserve
Set-aside Reserve Balance as of June 30, 2017	$0
Current Year Set-aside Requirement	359,444
Current Year Offsets	(1,587,221)
Qualifying Disbursements	(96,754)
Total	($1,324,531)
Set-aside Balance Carried Forward to Future Fiscal Years	$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

Note 22 - Contingencies

A. Grants

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

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE adjustments for fiscal year 2018 have been finalized. The impact of the FTE adjustments were recorded as a receivable on the fiscal year 2018 financial statements.

C. Litigation

As of June 30, 2018, the School District is not a party to any lawsuits.

Note 23 - Subsequent Events

On August 20, 2018, the School District approved a real estate purchase agreement for approximately 17 acres near the high school.

Note 24 - Franklin Local Community School Component Unit

A. Basis of Presentation

The FLCS' basic financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

FLCS uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Capital Assets

FLCS' capital assets during fiscal year 2018 consisted of computers, computer equipment, a phone system, a refrigerator, a copier, and desks and cabinets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. FLCS maintains a capitalization threshold of five hundred dollars. All of FLCS' reported capital assets are depreciated using the straight-line method. Equipment is depreciated over six to ten years and furniture is depreciated over twenty years of useful life.

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

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Equipment	$192,632	$0	$0	$192,632
Furniture and Fixtures	13,885	0	0	13,885
Less Accumulated Depreciation	(176,659)	(7,058)	0	(183,717)
Capital Assets, Net	$29,858	($7,058)	$0	$22,800

C. Subsequent Event

On December 13, 2018, the FLCS Board of Directors approved their portion of a joint resolution with the Franklin Local School District to permanently close the FLCS, as a community school, at the end of the 2018-2019 school year and transfer the FLCS' program and assets to the District so that, beginning with the 2019- 2020 school year, the FLCS can be operated directly by the Franklin Local School District Board of Education as a school of the District. The joint agreement is on the District's agenda of the February 2019 meeting for the District Board of Education's approval.

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Franklin Local School District, Ohio

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.09958300%	0.09691620%	0.10015230%	0.10316400%	0.10316400%
School District's Proportionate Share of the Net Pension Liability	$5,949,864	$7,093,371	$5,714,787	$5,221,071	$6,134,832
School District's Covered Payroll	$3,183,679	$3,024,821	$2,989,560	$2,830,079	$3,060,351
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	186.89%	234.51%	191.16%	184.48%	200.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	69.16%	69.16%	71.70%	65.52%

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

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

See accompanying notes to the required supplementary information

Franklin Local School District, Ohio

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.10092960%	0.09817860%
School District's Proportionate Share of the Net OPEB Liability	$2,708,685	$2,798,453
School District's Covered Payroll	$3,183,679	$3,024,821
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	85.08%	92.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Franklin Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08433844%	0.08895376%	0.09023920%	0.09364744%	0.09364744%
School District's Proportionate Share of the Net Pension Liability	$20,034,777	$29,775,504	$24,939,475	$22,778,298	$27,133,360
School District's Covered Payroll	$9,301,686	$9,342,693	$9,415,186	$9,521,862	$9,993,000
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	215.39%	318.70%	264.89%	239.22%	271.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

See accompanying notes to the required supplementary information

Franklin Local School District, Ohio

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08433844%	0.08895376%
School District's Proportionate Share of the Net OPEB Liability	$3,290,575	$4,757,270
School District's Covered Payroll	$9,301,686	$9,342,693
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.38%	50.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

Franklin Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$427,424	$445,715	$423,475	$394,024
Contributions in Relation to the Contractually Required Contribution	(427,424)	(445,715)	(423,475)	(394,024)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$3,166,104	$3,183,679	$3,024,821	$2,989,560
Pension Contributions as a Percentage of Covered Payroll	13.50%	14.00%	14.00%	13.18%
Net OPEB Liability				
Contractually Required Contribution (2)	$67,471	$54,435	$49,527	$73,950
Contributions in Relation to the Contractually Required Contribution	(67,471)	(54,435)	(49,527)	(73,950)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	2.13%	1.71%	1.64%	2.47%
Total Contributions as a Percentage of Covered Payroll (2)	15.63%	15.71%	15.64%	15.65%

(1) The School District's covered payroll is the same for Pension and OPEB.
(2) Includes Surcharge

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$392,249	$423,553	$362,902	$375,348	$284,170	$265,464
(392,249)	(423,553)	(362,902)	(375,348)	(284,170)	(265,464)
$0	$0	$0	$0	$0	$0
$2,830,079	$3,060,351	$2,698,157	$2,986,063	$2,098,748	$2,697,800
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
$52,680	$46,977	$57,591	$86,148	$43,219	$156,811
(52,680)	(46,977)	(57,591)	(86,148)	(43,219)	(156,811)
$0	$0	$0	$0	$0	$0
1.86%	1.54%	2.13%	2.89%	2.06%	5.81%
15.72%	15.38%	15.58%	15.45%	15.60%	15.65%

Franklin Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$1,335,368	$1,302,236	$1,307,977	$1,318,126
Contributions in Relation to the Contractually Required Contribution	(1,335,368)	(1,302,236)	(1,307,977)	(1,318,126)
Contribution Deficiency (Excess)	$0	$0	$0	$0
School District Covered Payroll (1)	$9,538,343	$9,301,686	$9,342,693	$9,415,186
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%
Net OPEB Liability				
Contractually Required Contribution	$0	$0	$0	$0
Contributions in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$1,237,842	$1,299,090	$1,213,391	$1,211,111	$1,159,259	$1,131,543
(1,237,842)	(1,299,090)	(1,213,391)	(1,211,111)	(1,159,259)	(1,131,543)
$0	$0	$0	$0	$0	$0
$9,521,862	$9,993,000	$9,333,777	$9,316,238	$8,917,377	$8,704,177
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
$95,219	$99,930	$93,338	$93,162	$89,174	$87,042
(95,219)	(99,930)	(93,338)	(93,162)	(89,174)	(87,042)
$0	$0	$0	$0	$0	$0
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

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

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

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
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 fiscal year 2018 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% 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 fiscal year 2017 and prior 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.

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

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FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR / ***Pass Through Grantor*** / **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Receipts**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Ohio Department of Education				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
School Breakfest Program	10.553	2017/2018	6,539	6,539
National School Lunch Program	10.555	2017/2018	58,848	58,848
Non-Cash Assistance Subtotal:			65,387	65,387
Cash Assistance:				
School Breakfast Program	10.553	2017/2018	251,889	251,889
National School Lunch Program	10.555	2017/2018	459,039	459,039
Summer Food Service Program for Children	10.559	2017/2018	29,177	29,177
Cash Assistance Subtotal:			740,105	740,105
Total Child Nutrition Cluster			805,492	805,492
Total U.S. Department of Agriculture			805,492	805,492
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education				
Title I Grants to Local Educational Agencies	84.010	2017	128,798	86,003
		2018	534,873	587,934
Total Title I Grants to Local Educational Agencies			663,671	673,937
Special Education Cluster				
Special Education - Grants to States	84.027	2017	100,491	63,155
		2018	342,665	368,568
Total Special Education - Grants to States			443,156	431,723
Total Special Education Cluster			443,156	431,723
Rural Education	84.358	2017	12,770	5,220
		2018	20,839	35,803
Total Rural Education			33,609	41,023
Improving Teacher Quality State Grants	84.367	2017	23,758	13,965
		2018	68,935	78,441
Total Improving Teacher Quality State Grants			92,693	92,406
Student Support and Academic Enrichment State Grants	84.424A	2018	13,809	14,040
Total U.S. Department of Education			1,246,938	1,253,129
Total Receipts and Expenditures of Federal Awards			**$2,052,430**	**$2,058,621**

The accompanying notes are an integral part of this Schedule.

FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR § 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Franklin Local School District (the School District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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

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

Franklin Local School District
Muskingum County
360 Cedar Street
P.O. Box 428
Duncan Falls, Ohio 43734

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Franklin Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 2019 wherein we noted the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We also noted the School District's component unit approved their portion of a joint resolution to close at the end of the 2018-2019 school year subsequent to the year ended June 30, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

February 21, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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

Franklin Local School District
Muskingum County
360 Cedar Street
P.O. Box 428
Duncan Falls, Ohio 43734

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Franklin Local School District's, Muskingum County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

53 Johnson Road, The Plains, Ohio 45780-1231
Phone: 740-594-3300 or 800-441-1389
www.ohioauditor.gov

Opinion on the Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

February 21, 2019

FRANKLIN LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Program (list):** • Child Nutrition Cluster – CFDA #'s. 10.553, 10.555, 10.559	
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FRANKLIN LOCAL SCHOOL DISTRICT
Administration Office

360 Cedar Street, P.O. Box 428 • Duncan Falls, OH 43734 • P: 740-674-5203 • F: 740-674-5214
www.franklinlocalschools.org

Sharon A. McDermott, Superintendent • Rob B. Preston, Assistant Superintendent • Scott M. Paul, Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	7 C.F.R Section 245.2, 245.3, and 245.6 and 42 U.S.C Section 1758(b) (1) Income Eligibility	Corrective Action Taken and Finding is Fully Corrected	None

OHIO AUDITOR OF STATE
KEITH FABER

FRANKLIN LOCAL SCHOOL DISTRICT

MUSKINGUM 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 7, 2019

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